

# Review and Update of Florida's Child Support Guidelines

**Report to the Florida Legislature  
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## Executive Summary

The project to review Florida's child support guidelines included three tasks. The first task was to update the schedule of child support obligations using the most recent economic data on consumer expenditure patterns. The second task was to examine the treatment of three special problems for which adjustments to the child support obligations are often made: low-income noncustodial parents, alternative custody arrangements, and prior and subsequent children. In both the first and second tasks, it was assumed that Florida would continue to use child support guidelines based on the income shares model. The third task was to review alternatives to the income shares model as a basis for child support obligations.

The updated schedule of child support obligations was derived from new estimates of expenditures on children using data from the 1999-2001 U.S. Consumer Expenditure Survey. The methodology followed that of Thomas Espenshade, who estimated expenditures on children from data in the 1972-73 U.S. Consumer Expenditure Survey. The updated estimates of expenditures on children are lower as a percent of total family expenditures than Espenshade's estimates and other Engel-based estimates. The major source of the difference comes from the specification of the estimating equations. However, sample selection also plays a role.

Because of the lower estimates of expenditures on children, the child support obligations in the proposed schedule are not dramatically different from those in the current schedule despite the passage of time since the current schedule was developed. For a small range of relatively low-income parents, the basic obligations are higher under the proposed schedule than under the current schedule. For most parents, however, basic obligations are lower. Large differences are only present for relatively high-income cases and these only constitute a small proportion of the total number of child support cases.

Florida's child support guidelines include provisions that are intended to prevent child support from pushing low-income noncustodial parents into poverty. The low-income adjustment in Florida's guidelines applies to only about one percent of cases and is therefore ineffective at preventing or mitigating poverty among low-income parents. The failure of the low-income adjustment results from four features of the guidelines.

First, the adjustment compares the combined income of both parents to the single-person poverty guideline. The combined income is almost always above the single-person poverty guideline even when the noncustodial parent's income is near or below the poverty line. Second, parents whose actual incomes are below the poverty guideline often have income imputed to them equivalent to earning minimum wage for full-time, year-round work. This imputed income is greater than the single-person poverty guideline. Third, the low-income adjustment applies only to the basic support obligation. Childcare and health insurance expenses are added to the basic support obligation and constitute a significant part of the actual child support payment. Even when the low-income adjustment is applied to the basic obligation, the total obligation may be large enough to

push parents into poverty. Finally, the low-income adjustment uses the 1992 single-person poverty guideline, which is outdated and \$171 below the 2002 poverty guideline.

Florida's current schedule of child support obligations is also regressive. Not only is this inequitable, but it significantly penalizes noncustodial parents who earn additional income and therefore is a disincentive to work. By imposing a very high marginal rate on additional earnings, it discourages compliance. In fact, we find that compliance among low-income noncustodial parents is very low, which in turn inhibits the noncustodial parent's involvement with the children.

Visitation below the level of 40 percent of overnights per year is grounds for an adjustment in the child support obligation in Florida. The adjustment is left to the discretion of the court. Shared custody, where visitation exceeds 40 percent of overnights, is governed by a formula that adjusts the noncustodial parent's support obligation to reflect the additional costs of maintaining two households for the child.

Failure to provide a credit for visitation of less than 40 percent is a disincentive for regular visitation with the noncustodial parent. Moreover, any threshold results in very large changes in the noncustodial parent's child support obligation corresponding to very small changes in the level of visitation. For this reason, the existence of a threshold is a source of excessive disputes and litigation between the parents.

The treatment of split custody is also left to the discretion of the courts. This leaves judges, hearing officers, and parents without any guidance on dealing with this type of arrangement. It gives rise to disparate treatment of these cases in different judicial districts, and it can be a source of disputes and litigation over custody. Failure to provide explicitly for split custody may discourage parents from adopting this arrangement even when it is in the child's best interest.

The determination of child support and the establishment of a visitation schedule in Title IV-D cases are done at different times and in different venues. The court makes the two decisions at the same time in private cases, but visitation schedules in these cases are often vague and ambiguous. This discourages visitation and involvement by the noncustodial parent. Lack of involvement may result in low compliance with the child support order. The lack of an explicit visitation schedule may also be a source of unnecessary disputes and litigation.

The current child support guidelines allow a deduction from the noncustodial parent's net income for preexisting child support orders. If the deduction were not allowed, prior children would be unaffected, existing children would be only marginally impacted, but the child support burden on the noncustodial parent would increase significantly. An alternative is to prorate the child support obligation among all children, prior and existing. Prorating the obligation adversely affects prior children without greatly improving the status of existing children. Neither of the alternatives is clearly superior to the current policy.

Many states allow for consideration of subsequent children in modifications of a preexisting child support order. Allowing a deduction for subsequent children results in a lower child support obligation, but may be more in line with the noncustodial parent's ability to pay.

Comparison of Florida's child support schedule with those in the six other southeastern states and with five other models for determining child support payments shows that there is no systematic relationship between the level of child support payments in a state and its choice of a model, but the models differ significantly in simplicity and transparency. An advantage often claimed for the income shares model is that it determines a child support obligation for each parent based on their combined incomes. In fact, however, analysis shows that the responsiveness of the child support payment to the custodial parent's income is very low, lower than in some alternative models and not much greater than in a percent-of-obligor model. But the income shares model is significantly more complex than a percent-of-obligor model. An alternative model that retains much of the simplicity of a percent-of-obligor model but in which the child support payment is more responsive to the custodial parent's income than in the income shares model is the hybrid model.

Custodial parents typically are eligible for certain tax benefits that partially offset some of the expenditures on children. The child support guidelines, however, do not take these benefits into account with one major exception. The amount of childcare expenses that are included in the child support payment is reduced by 25% to account for the federal childcare tax credit. An allowance for other tax benefits can also be incorporated into the guidelines without changing the basic model on which child support is based.

The guidelines in most income shares states provide for the addition of actual childcare expenses to the basic child support obligation. This creates incentives for inflated projections of childcare costs and for overuse of market childcare providers even when alternative providers are available. Including an average childcare expense amount, related to the age of the child and perhaps to income, rather than the actual amount in the child support payment could eliminate these adverse incentives.

The recommended changes to Florida's child support guidelines are:

- Apply the self-support reserve and the phase-in to the noncustodial parent's income alone.
- Reduce reliance on imputed income. Expand the number of sources from which information on actual income is obtained and limit imputation of incomes to those cases where one of the parties does not appear and no information is available from any other source.
- Apply the self-support reserve to the total child support payment rather than to the basic support obligation only.

- Adopt procedures for annual or biannual updating of the schedule of basic child support obligations to reflect changes in the single-person federal poverty guideline.
- Reduce the marginal child support rate over the phase-in range of incomes from the current 90-95 percent to some lower percentage such as 50 percent and make it independent of the number of children.
- Eliminate the threshold that distinguishes extended visitation from shared custody.
- Provide a credit against the child support payment for all levels of visitation or shared parenting by the noncustodial parent.
- Include explicit treatment of split custody.
- Adopt the approach that calculates a separate child support obligation for each household.
- Establish a visitation schedule in all child support cases at the same time that child support is determined.
- Adopt a standard or customary visitation schedule as a basis for calculating the noncustodial parent's visitation percentage in private cases.
- Institute a pilot mediation program for Title IV-D cases.
- Retain the existing policy of allowing a deduction from net income for prior child support orders.
- Amend the guidelines to allow a deduction for all court-ordered child support whether or not the noncustodial parent is current on payments.
- Compute a deduction equal to the parent's share of the basic obligation for the subsequent children using the combined income of their parents. The deduction may only be used as a defense against an upward modification of an existing child support order.
- Consider replacing the current schedule based on the income shares model with a schedule based on the percent-of-obligor model.
- If as a matter of policy it is desired that the child support payment reflect the income of the custodial parent as well as the income of the noncustodial parent, consider adopting a hybrid model similar to that used in Massachusetts.
- Implement a tax benefit adjustment to the child support costs.
- Add estimated average childcare expenditures by the child's age group and possibly by income level to the child support obligation in the guidelines worksheet.

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# Chapter 1

## Introduction

Federal law requires that each state periodically review and update its child support guidelines based on the most recently available economic data. In January 2003, the Florida Legislature contracted with the Department of Economics at Florida State University to undertake this review. The members of the team conducting the review were:

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The review consisted of three tasks. The first task was to update the existing Florida schedule of child support obligations based on the most recent data available on expenditures on children. The second task was to review three special issues relating to child support guidelines and to make recommendations for changes in Florida's treatment of these issues. The three issues are the treatment of low-income parents, provisions for visitation and alternative custody arrangements, and the treatment of prior and subsequent children. The third task was to review alternative models for the development of child support guidelines and possibly recommend a different model for use in Florida.

### **History of Child Support Guidelines**

Before the mid-1970's, child support was almost exclusively governed by the states. Significant involvement by the federal government began with the passage of Title IV-D of the Social Security Act.<sup>1</sup> The federal involvement initially focused primarily on child support enforcement, with an emphasis on eligibility for the Aid to Families with Dependent Children (AFDC) program. Title IV-D mandated that the states establish a variety of offices and programs as well as adopt techniques to aid in child support collection.

Formal child support guidelines first appeared in 1975 in Illinois and Maine. The Federal Child Support Enforcement Amendments of 1984 required all states to adopt advisory child support guidelines. Between 1984 and 1988, federal interest in child support significantly increased with the appointment of the Federal Advisory Panel on Child Support Guidelines. The panel released its recommendations in 1987 along with a report by Robert Williams which developed a model for determining child support obligations including a proposed schedule of child support payments. One year later, the Family Support Act of 1988 mandated that every state adopt a set of child support guidelines to be used as a "rebuttable presumption" in child support cases. The guidelines

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<sup>1</sup> This discussion draws heavily from Andrea H. Beller and John W. Graham, *Small Change: The Economics of Child Support*, New Haven and London: Yale University Press (1993), p. 162-69.

were to be based on economic data and were to result in an economically appropriate award. The 1988 act also required the states to periodically review and update their schedules of child support obligations.

With little time to consider the issues involved, states tended to adopt one of the existing models for guidelines. The two choices were either the percent-of-obligor model developed earlier for Wisconsin or the income shares model developed by Williams. Florida adopted Williams's 1987 proposal. In 1993, the Florida guidelines were reviewed and updated to reflect changes in the Consumer Price Index. The guidelines were reviewed again in 1997 with recommendations for significant changes in both the schedule and the underlying methodology. The 1997 recommendations were not adopted by the Florida Legislature. The guidelines have been periodically amended since 1993, but the schedule of child support obligations has remained unchanged.

Utilized in 33 states, the income shares model is the most widely used methodology for developing child support guidelines. The premise of the model is that a child should receive the same amount of expenditure as if the family were still intact.<sup>2</sup> The child support obligation is a percentage of the combined income of both parents and the percentage is derived from estimates of expenditures on children in intact two-parent households.

Different states base their guideline percentages on different estimates of expenditures on children. The most frequently used estimates are those by Thomas Espenshade, based on the Engel approach to determining family equivalence, and by David Betson, using the Rothbarth approach.<sup>3</sup> Since inception, Florida's guidelines have been based on the Espenshade-Engel estimates. More recent income shares model guidelines have tended to use the Betson-Rothbarth estimates. Because Florida continues to use the guidelines adopted from Williams's original proposal, they are based on the Espenshade-Engel estimates. The revision that was proposed in 1997 but not adopted would have shifted to the Betson-Rothbarth estimates.

In the income shares model, the incomes of the custodial and noncustodial parents are summed and the amount that an intact family with this level of income would spend on the child(ren) is estimated. This estimated amount is then apportioned between the parents according to their respective shares of the combined income. The noncustodial parent's share of the total obligation then becomes the legally-mandated child support payment. The custodial parent's share represents an amount that the custodial parent should pay for support of the child even though it imposes no legally enforceable obligation. Expenditures on childcare and on children's medical care are typically excluded from the estimates of expenditures on children from which the child support obligations are derived. The actual amounts expended by the parents for these items are then added to the basic obligation from which the actual child support payment is derived.

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<sup>2</sup> Other models of child support are described in Chapter 4.

<sup>3</sup> These approaches are described in more detail in Chapter 2.

## Overview of the Report

Chapter 2 presents the results of updating the current Florida Schedule of Child Support Obligations using data from the 1999-2001 U.S. Consumer Expenditure Survey. Updating the schedule of support obligations requires first updating the estimates of expenditures on children from which the obligations are derived. The updated estimates of expenditures on children are based on recent data but adhere as closely as possible to the methodology of the original estimates from which Florida's current schedule was derived. The proposed updated schedule is presented in Appendix 2-1. A notable feature of the updated estimates of expenditures on children is that they reflect smaller percentages of total family expenditures than other estimates. Some possible reasons for the difference are discussed in Appendix 2-3. The child support obligations in the proposed schedule are not dramatically different from those in the current schedule as the lower estimates of expenditures on children offset the increases in the CPI over time. For a small range of relatively low-income parents, child support payments are higher under the proposed schedule than under the current schedule. For most parents, the support payments are lower. However, **the differences are large only for relatively high-income cases that constitute a small proportion of the total number of child support cases.**

The third chapter in this report addresses the three special issues in child support guidelines: low-income parents, visitation and alternative custody arrangements, and prior and subsequent children. Florida's child support guidelines include provisions that are intended to prevent child support from pushing low-income noncustodial parents into poverty. However, the analysis here shows that these provisions are ineffective because they affect very few parents. **The failure results from four major factors: the use of combined income with the single-person poverty guideline; the imputation of income; the application of the low-income provisions to the basic obligation rather than to the total child support obligation;** and the failure to update the child support schedule regularly to reflect increases in the poverty guideline. Furthermore, child support schedules based on the income shares model are regressive, which may create inequities and disincentives for low-income parents to work.

To account for the costs incurred by a noncustodial parent as a result of visitation or shared custody, child support payments in Florida may be reduced whenever visitation exceeds 40 percent of the overnights in a year. The analysis in Chapter 3 shows that the 40 percent threshold creates a "cliff" effect where a very small change in visitation or custody causes a very large change in the child support payment. This can be a source of excessive disputes and litigation among the parents. Furthermore, imposing a high threshold before allowing any adjustment discourages parents from adopting any alternative custody arrangement less than 40 percent. The Florida guidelines also fail to provide explicit provision for cases of split custody, which again may discourage parents from adopting a split custody arrangement even when it is appropriate.

Finally, the analysis in Chapter 3 shows the often conflicting interests of prior children, existing children, and the noncustodial parent. Each of the alternative treatments

of prior and subsequent children tends to favor one these parties over the others. There is no clearly superior alternative for handling multiple families.

Chapter 4 compares Florida's child support schedule with those in the six other southeastern states and with five other models for determining child support payments. The analysis shows that there is no systematic relationship between the level of child support payments in a state and its choice of a model, but the models differ significantly in simplicity and transparency. An advantage often claimed for the income shares model is that it determines a child support obligation for each parent based on their combined incomes. In fact, however, the analysis shows that the responsiveness of the child support payment to the custodial parent's income is very low, lower than in some alternative models and not much greater than in a percent-of-obligor model which doesn't include the custodial parent's income at all. But the income shares model is significantly more complex than a percent-of-obligor model. An alternative model that retains much of the simplicity of a percent-of-obligor model but in which the child support payment is more responsive to the custodial parent's income than in the income shares model **is the hybrid model.**

Finally, Chapter 5 takes up two issues that were not a part of the original tasks but arose during the course of the project: the treatment in the guidelines of **the tax benefits associated with children and the treatment of childcare expenses.** The child-related tax benefits offset some of the expenditures on which the child support obligation is based, but the child support guidelines do not take these benefits into account with one major exception. The exception is a **25 percent reduction in the amount of childcare expenses that are included in the child support payment based on the federal childcare tax credit.** The guidelines worksheet can, however, be amended so that **all the tax benefits are taken into account and shared proportionately between the two parents.**

Furthermore, the addition of childcare expenses to the basic child support obligation creates incentives for inflated projections of childcare costs and for **overuse of market childcare providers.** Including an average childcare expense amount rather than the actual amount in the child support payment eliminates these adverse incentives.

The analysis in this report is based in part on a subsample of actual Florida child support cases. The Office of Program Policy Analysis and Government Accountability (OPPAGA) had previously collected a sample to determine if judges are adhering to the established child support guidelines. The OPPAGA sample was designed to be representative of the entire population and included cases from each county in Florida. The subsample used here, is constructed from OPPAGA's sample. For this report, six "typical" cases—three Title IV-D and three private—were constructed from the subsample to show how alternative provisions and policy changes would impact Florida's child support cases. The OPPAGA sample and the subsample are described in greater detail in Appendix 1-1.

## Appendix 1-1 Sample of Florida Child Support Cases

The Office of Program Policy Analysis and Government Accountability (OPPAGA) randomly sampled a population of 21,500 child support cases for which orders were entered between January and May 2001. However, not all of the cases in OPPAGA’s sample contained sufficient information for this analysis. As Table 1-1.1 shows, OPPAGA’s original sample consisted of 1201 cases, 600 Title IV-D and 601 private cases.<sup>4</sup>

Valid cases for analysis had to include both parents’ incomes and the basic and total obligations. Although this information is typically available from the guideline worksheets, the OPPAGA sample included only 501 IV-D and 261 private cases with guideline worksheets. Some additional private cases were salvaged by synthesizing information from financial affidavits and divorce papers when they were available. After processing all the information in the files, 471 of the Title IV-D cases and 286 of the private cases remained.

	<b>Title IV-D Cases</b>	<b>Private Cases</b>
Population Size	9,199	12,513
Case files sampled	600	601
Case files with guideline worksheets	501	261
Valid cases for analysis	471	286

Tables 1-1.2 to 1-1.5 present descriptive information about the subsample. **The median combined monthly net income of the IV-D cases is in the range \$1501-2000. The median combined monthly income of the private cases is in the range \$2501-3000. Only 2.5 percent of the Title IV-D cases and 21 percent of the private cases have combined monthly net incomes above \$4000. Few cases exist in the upper range of the distribution.**

<sup>4</sup> Although each county was sampled, cases from some counties are not included in this analysis as they did not contain sufficient information. The Title IV-D subsample is missing 29 counties; the private sample is missing 24 counties. Of these, 18 counties are missing from both subsamples. There is no obviously discernible pattern to the missing counties. Some are large, urban counties (Dade from the Title IV-D subsample and Broward from the private sample). Others are small rural counties (Levy from the Title IV-D sample and Holmes from the private sample). While it cannot be guaranteed that the subsamples are representative, they do not exhibit a clear bias in either direction.

<sup>5</sup> Adapted from OPPAGA (2002).

<b>Table 1-1.2 Breakdown of Cases by Combined Net Income</b>		
<b>Net Combined Income</b>	<b>Title IV-D Cases</b>	<b>Private Cases</b>
500-1000	5	5
1001-1500	42	10
1501-2000	222	44
2001-2500	99	51
2501-3000	44	42
3001-3500	30	49
3501-4000	17	24
4001-4500	5	24
4501-5000	3	11
5001-5500	1	8
5501-6000	1	6
Under \$6,000 per month subtotal	469	274
6001-6500	2	1
6501-7000	0	3
7001-7500	0	1
7501-8000	0	2
8001-8500	0	3
8501-9000	0	0
9001-9500	0	0
9501-10000	0	2
\$6000 + per month Sub-total	2	12
Total	471	286

Table 1-1.3 shows that 353 (75 percent) of the Title IV-D cases and 166 (58 percent) of the private cases involve only one child. Only 1.2 percent of the Title IV-D cases and 3.85 percent of the private cases include more than three children.

<b>Table 1-1.3 Breakdown of Cases by Number of Children</b>		
<b>Number of Children</b>	<b>Title IV-D Cases</b>	<b>Private Cases</b>
1	353	166
2	91	80
3	21	29
4	4	10
5	0	1
6	2	0

In an overwhelming number of cases (88 percent of both Title IV-D and private cases), the custodial parent is the mother. There are only three cases of shared or split custody, all private, and 45 cases where neither parent has custody, all Title IV-D.

<b>Table 1-1.4 Breakdown of Cases by Custody</b>		
<b>Custodian</b>	<b>Title IV-D Cases</b>	<b>Private Cases</b>
Mother	414	253
Father	12	30
Both	0	3
Non-parent	45	0

In 86 percent of title IV-D cases and 91 percent of private cases, neither parent seems to pay support for prior children. The sample suggests that fathers are most often the ones obligated to pay prior support.

<b>Table 1-1.5 Breakdown of Cases by Prior Support</b>		
<b>Parent</b>	<b>Title IV-D Cases</b>	<b>Private Cases</b>
Mother	4	4
Father	61	21
Both	3	0
Neither <sup>6</sup>	406	261

To evaluate and illustrate policy changes in Florida’s guidelines, a set of three “typical” IV-D cases and three “typical” private cases were created from the samples. The Title IV-D cases and the private cases were each sorted based on the combined net income of the parents and each sample was divided into three equal groups: low income, medium income, and high income. The median combined income of each group became the income of the typical case representing that group. Each typical case was also assigned the median number of children in its group and the group median of the noncustodial parent’s share of the combined income.

Table 1-1.6 displays the characteristics of these typical families. The typical low-income Title IV-D case, for example, has a combined income of \$1,533.13 and one child, and the noncustodial parent’s share of the income is 48.90 percent.

<b>Table 1-1.6a Typical Title IV-D Cases</b>			
<b>Group</b>	<b>Combined Net Income</b>	<b>Noncustodial Parent Share</b>	<b>Children</b>
Low	\$1,533.13	48.90%	1
Mid	\$1,871.00	54.00%	1
High	\$2,719.93	59.00%	1

<sup>6</sup> “Neither” represents both cases where neither parent has a prior support obligation and cases with no information. The existence of prior support obligations can only be determined if the deductions from gross income are explicitly listed on the guideline worksheets or financial affidavits. Most worksheets do not indicate the purpose of the deduction. Therefore, the true number of cases in which a prior support order exists is likely understated.

<b>Table 1-1.6b Typical Private Cases</b>			
<b>Group</b>	<b>Combined Net Income</b>	<b>Noncustodial Parent Share</b>	<b>Children</b>
Low	\$1,868.00	52.00%	1
Mid	\$2,858.00	56.00%	1
High	\$4,178.00	59.00%	2

## Chapter 2

# Updating Florida's Child Support Schedule

Federal law requires that each state periodically review and update its child support guidelines to reflect the most recently available economic data. Florida's guidelines were last updated in 1993, and the data from which the schedule of child support obligations is derived are from 1972-73. The update of the Florida schedule proposed here adheres closely to the methodology of the current schedule while using data from the 1999-2001 Consumer Expenditure Survey.

The first step in updating the child support schedule is to estimate expenditures on children. The current schedule is based on Thomas Espenshade's expenditure estimates, which use Ernst Engel's approach to comparing living standards among families. Other income shares states use David Betson's estimates, which are based on Erwin Rothbarth's approach. The two approaches—Engel and Rothbarth—are described in turn, followed by a detailed description of the data sources and estimation techniques used to update the schedule. The proposed schedule is displayed in Appendix 2-1.

### **Alternative Approaches to Estimating Expenditures on Children**

Direct estimates of family expenditures on children are generally problematic because a majority of a family's expenditures are for shared goods (housing, for example) rather than for goods that are consumed by a specific individual within the family. This has led to the use of indirect estimates. The indirect approach estimates expenditures on children by comparing families with children to families without children who are assumed to have the same standard of living. The difference between total consumption expenditures of these two types of families is assumed to be an estimate of expenditures on children. The approaches most commonly used to estimate expenditures on children for developing child support schedules are the Engel and the Rothbarth approaches.

#### ***Engel Approach***

The underlying premise of the Engel approach is that families that spend the same proportion of their incomes on food are equally well off.<sup>7</sup> The Engel approach assumes that (1) as total spending increases, the budget share or percent devoted to food should decrease, freeing up expenditures for other goods, and (2) as family size increases, the food share of the budget should also increase. Thomas Espenshade used the Engel

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<sup>7</sup> Ernst Engel, 1857, "Die Productions und Consumtionsverhaltnisse des Konigsreichs Sachsen,": *Zeitschrift des Statiscshen Bureaus des Koniglich Sachishen Ministeriums des Innern*.

approach to estimate expenditures on children within the family.<sup>8</sup> Florida's current child support schedule is based on his analysis.

To implement the Engel approach, Espenshade used data from the 1972-73 Consumer Expenditure Survey. He selected food consumed at home as a percentage of total consumption spending as his dependent variable and examined the relationship between this dependent variable and total consumption expenditure. Estimating expenditures on children using this approach is a two-step process. First, expenditures on a single child are computed as the difference between total consumption expenditures for a one-child family and total consumption expenditures for a childless couple, each of whom spends the same share of their budget on food consumed at home (and hence are assumed to have the same standard of living). Second, expenditures on additional children are estimated by examining how expenditure patterns vary between families with different numbers of children.<sup>9</sup>

### ***Rothbarth Approach***

The Rothbarth approach measures the family's standard of living using the level of "excess income" available to the household after all necessary expenditures have been made.<sup>10</sup> Rothbarth postulated that this excess income would be used for savings and luxuries, which he considered to be alcohol, tobacco, entertainment, and sweets.<sup>11</sup> Subsequent implementation of the Rothbarth approach to develop child support guidelines has used expenditures on "adult goods" (specifically, adult clothing, tobacco, and alcohol) as the measure of excess income.

The Rothbarth approach assumes that (1) expenditure on adult goods increases as total consumption expenditure increases, and (2) expenditure on adult goods decreases as household size increases. Many states now base their schedule of child support obligations on estimates of expenditures on children made by David Betson using the Rothbarth approach.<sup>12</sup> Betson tested several different measures of adult consumption goods but found that the results were only minimally affected by the choice of expenditure items to include. Once a variable for adult consumption goods has been chosen, the Rothbarth approach proceeds in the same way as the Engel approach.

## **Data and Methodology Used to Update Florida's Schedule of Child Support Obligations**

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<sup>8</sup> Espenshade, Thomas J., 1984, *Investing in Children*, The Urban Institute Press, Washington, DC, 1984.

<sup>9</sup> Lewin/ICF. "Estimates of Expenditures on Children and Child Support Guidelines," submitted to Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, October (1990).

<sup>10</sup> Ibid.

<sup>11</sup> E. Rothbarth, "Note on a Method of Determining Equivalent Income for Families of Different Composition," in *War-Time Pattern of Saving and Spending* (ed. C. Madge). Cambridge: Cambridge University Press, (1943).

<sup>12</sup> David Betson, "Alternative Estimates of the Cost of Children from the 1980-1986 Consumer Expenditure Survey," U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, September (1990).

The first task in this review of Florida's child support guidelines is to update the current schedule of child support obligations to reflect the most recent economic data available. The update adheres as closely as possible to the methodology underlying the current schedule. Therefore, the proposed schedule, like the current schedule, is based on estimates of expenditures on children derived using the Engel estimator.

### *Consumer Expenditure Survey*

Data for the analysis comes from the 1999-2001 Consumer Expenditure Survey (CEX) conducted by the U.S. Bureau of the Census for the U.S. Bureau of Labor Statistics (BLS). The CEX provides comprehensive information on family expenditures and income as well as on socioeconomic and demographic characteristics of U.S. families.

The 1999-2001 survey consists of two parts: (1) a quarterly interview survey which includes monthly out-of-pocket expenditures on such items as housing, apparel, transportation, health care, insurance, and entertainment, and (2) a diary survey which includes weekly expenditures on frequently purchased items such as food and beverages, tobacco, personal care products, and nonprescription drugs and supplies.<sup>13</sup> The update uses only the public use file from the quarterly interview survey.

Interviews were conducted for each consumer unit. A consumer unit consists of (1) all members of a particular household who are related by blood, marriage, adoption, or other legal arrangements; (2) a person living alone or sharing a household with others, or living as a roomer in a private home or lodging house or in permanent living quarters in a hotel or motel, but who is financially independent; or (3) two or more persons living together who use their income to make joint expenditure decisions. Financial independence is determined by the three major expense categories: housing, food, and other living expenses. To be considered financially independent, at least two of the three major expense categories have to be provided entirely or in part by the respondent.<sup>14</sup>

The quarterly interview data file was used to construct a hypothetical annual data set. Each household was identified by a unique number and linked across quarters. All variables except income were measured quarterly. Household income was constructed as the arithmetic average of the quarterly data. The BLS definition of income after taxes includes social security contributions and private and government retirement. These items represent saving and hence are excluded from the net income variable used here.

The number of children in a household was also averaged across quarters. It is therefore possible for some households to have fractional children if a child was present in the household for less than the full year. Total expenditures, childcare, and medical care are averaged across quarters and multiplied by four to arrive at an estimate of the annual amount.

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<sup>13</sup> CEX Overview, <http://www.bls.gov/cex/csxgloss.htm>

<sup>14</sup> CEX Glossary of Terms, <http://www.bls.gov/cex/csxgloss.htm>

The original sample of 37,378 households in the CEX data was reduced to 8,680 by making the deletions summarized in Table 2.1. Following Espenshade, households where the husband is over 55 years of age were excluded. To take into account that the husband is not always the head of the consumer unit, the exclusion was done twice.

<b>Table 2.1 Number of Sample Deletions by Reason</b>	
Total Number of Households in the 1999-2001 Consumer Expenditure Survey	37,378
<i>Reduction for:</i>	
a) Non-husband and wife households	-20,867
b) Husband over 55 years old (husband as a consumer unit head)	- 3,927
c) Husband over 55 years old (husband as a non-consumer unit head)	-1,545
d) Topcoded variables (income before tax, income after tax)	-873
e) Households with zero or negative incomes	<u>-1,486</u>
Usable Sample	8,680

The income variable in the CEX is topcoded.<sup>15</sup> Because topcoded observations bias the regression results, it is customary to eliminate them from the sample. This resulted in the loss of an 873 household records. Households with negative income but positive consumption were also eliminated from the sample.<sup>16</sup> These households would likewise bias the regression results.

***Calculating the Relationship between Income and Consumption***

The Engel approach relates food consumption as a share of total expenditure to total expenditure, not to income. However, Florida’s child support schedule relates child support obligations to net income. Therefore, the relationship of expenditures on children to total expenditures must be converted to a relationship between expenditures on children and net income.

The methodology used here first projects an amount of total consumption expenditure for each level of net income. Then, the Engel approach is used to estimate expenditures on children for that level of consumption and its corresponding net income. The estimated expenditure on children for that net income level is the child support obligation.

The amount of consumption is projected based on the CEX data from the following regression:

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<sup>15</sup> “Sensitive CU data are changed so that users will not be able to identify CUs who participated in the survey. Topcoding refers to the replacement of data in cases where the value of the original data exceeds prescribed critical values. Critical values for each variable containing sensitive data are calculated in accordance with Census Disclosure Review Board guidelines. Each observation that falls outside the critical value is replaced with a topcoded value that represents the mean of the subset of all outlying observations.” CEX 2001 Interview Survey Public Use Microdata Documentation, p 244.

<sup>16</sup> Negative income may result from business losses for self-employed individuals.

$$(1) \quad S = \alpha_0 + \alpha_1(Y) + \alpha_2(Y)^2 + \alpha_3(Y)^3 + \alpha_4(Y)^4$$

where the dependent variable,  $S$ , is total consumption spending and the independent variable,  $Y$ , is net income. The exponential terms are included to allow for a nonlinear relationship between income and consumption. For all observations in the sample with consumption greater than income ( $S > Y$ ),  $S$  is set equal to  $Y$  in the regression equation.<sup>17</sup> The results of the regression are shown in Table 2.2. As expected, total spending increases with income but at a slower rate so that the ratio of spending to income is lower at higher income levels.

**Table 2.2 Total Consumption Spending Model Results**

Dependent Variable: Total consumption spending	
<i>Variable</i>	<i>Coefficient</i>
Y	0.98800** (0.0303)
Y <sup>2</sup>	-0.05177** (0.0059)
Y <sup>3</sup>	0.00177** (0.0004)
Y <sup>4</sup>	0.00003** (0.00001)
Constant	0.05112 (0.0462)
N	8,680
$\overline{R^2}$	0.6848

Standard errors are reported in parentheses. \*\* indicates significance at the 1% level and \* indicates significance at the 5% level in a two-tailed test.

The range of monthly net incomes in the updated schedule of child support obligations is \$800-\$12,500 which is displayed in \$50 increments. The bottom of the range, \$800, is determined by the self-support reserve, which in turn is based on the 2002 federal poverty guideline for a single-person household. The top of the range, \$12,500, equals the top of the range in the current Florida schedule, \$10,000, adjusted for inflation. For each income level in the schedule, equation (1) predicts the corresponding amount of consumption. If the predicted consumption is greater than the corresponding net income, then predicted consumption for that income is set equal to income.

### ***Deriving the Engel Estimator***

<sup>17</sup> Blumberg (1999) argues for requiring consumption spending to be no greater than net income: “. . . consumer expenditure data may be read to suggest that consumers spend more than they earn. Even if true, such overspending is properly disregarded by a child support formula. Legally imposed child support obligations should not require obligors to spend beyond their incomes, even if they regularly do so on a voluntary basis.” From: Grace Ganz Blumberg, “Balancing the Interests: The American Law Institute’s Treatment of Child Support,” *Family Law Quarterly*, v33, n1 (1999).

The predicted value of consumption is substituted into the following equation for food as a share of total consumption:

$$(2) \quad \ln(F/(1-F)) = \delta \ln(S) + \beta \ln(S)^2 + \alpha(K) + \gamma(X)$$

The dependent variable,  $\ln(F/(1-F))$  is the log of the ratio of the food budget share to one minus the food budget share. The variable from the CEX used to measure the food budget share is food purchased for home consumption.<sup>18</sup> The food budget share is assumed to be a linear function of (1) the log of per capita total spending,  $\delta \ln(S)$ , and its square,  $\beta \ln(S)^2$ ; (2) the number of children in the family,  $\alpha(K)$ ; and (3) a set of characteristics of the adults in the family,  $\gamma(X)$ . Again, the exponential term is included to allow for nonlinearity in the relationship between food and total consumption.

If food is a necessity, then  $\delta$  should be negative. If the food share is to increase with the number of children, assuming total consumption spending ( $S$ ) is held constant, then  $(\alpha(K)) > 0$ . The Engel methodology assumes that if the food share equation meets these restrictions, then the food budget share is a good indicator of the family's standard of living.

Variables such as race, education, and employment can affect budget decisions of the family independently of family size or total consumption. For example, blacks spend less of their budget on food than similarly-situated non-blacks, and families where both parents are working, spend less of their budget on food for home consumption than families with only one parent working. The final term,  $\gamma(X)$ , is included to capture the effect of these differences among families. These variables are assumed to be invariant to the presence of children so they do not affect the estimates of expenditures on children or the percentage of the family's budget devoted to children.

### ***Estimating Expenditures on Children***

Equation (1) predicts the amount of consumption corresponding to a net income level in the schedule of child support obligations. This predicted consumption is used in equation (2) to estimate the share of total consumption that is spent on food consumed at home by a family with  $K$  children,  $S_K$ . The next step is to find the level of total spending by a family with no children,  $S_0$ , that spends the same share of their budget on food consumed at home as the family with  $K$  children.

To find this level of spending, the food shares of the two families are set equal and the equation is solved for  $S_0$ :

$$(3) \quad F[0, S_0, X] = F[K, S_K, X]$$

$$(4) \quad \gamma(X) + \alpha(0) + \delta \ln(S_0) + \beta \ln(S_0)^2 = \gamma(X) + \alpha(K) + \delta \ln(S_K) + \beta \ln(S_K)^2$$

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<sup>18</sup> This is the same dependent variable used by Betson (1990) to estimate the Engel model.

The difference between  $S_K$  and  $S_0$  is an estimate of the amount that a family with this net income spends on children. This is the amount, after deducting expenditures on childcare and children's medical expenses, that is included in the schedule of child support obligations for  $K$  children.

This methodology is used to calculate basic child support obligations for one, two, and three children. The methodology cannot be used for families with more than three children because the CEX contains too few observations to support it. Instead, support obligations for four, five, and six children are extrapolated from the amounts for one, two, and three children. The proportion of net income spent on children at each income level was regressed on the number of children and the number of children squared. The resulting regression coefficients were used to estimate the proportion of net income spent on children by families with four, five, and six children. These proportions were multiplied by net income to generate a basic child support obligation.<sup>19</sup>

### **Empirical Implementation of the Analysis**

Table 2.3 shows the results of estimating equation 2. The variables are defined in Table 2.4. The explanatory power is quite high for cross-sectional data. The model captures 44 percent of the variation in the share of a family's budget devoted to food consumed at home. The assumptions of the Engel approach are satisfied: (1) as total spending rises, the budget share devoted to food at home declines at a decreasing rate, and (2) holding total spending constant, the food share increases when family size (number of children) increases.

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<sup>19</sup> The basic child support obligations for four, five, and six children in the current Florida schedule were also extrapolated from the obligations for one, two, and three children. The method of extrapolation was different from the method used here. The current schedule relies on the Bureau of Labor Statistics family equivalency scales developed in the 1960's.

**Table 2.3 Engel Model Results**

Dependent Variable: log of food share at home relative to non-food share	
<i>Variable</i>	<i>Coefficient</i>
Total Expenditure	-0.2474** (0.0053)
(Total Expenditure) <sup>2</sup>	0.0072** (0.0003)
Kid1	0.1849** (0.0149)
Kid2	0.2889** (0.0144)
Kid3	0.3826** (0.0196)
Kid4	0.5136** (0.0325)
Kid4plus	0.5904** (0.0544)
Black	-0.0791** (0.0209)
Midwest	-0.1359** (0.0175)
West	-0.0381* (0.0171)
South	-0.0785** (0.0165)
Husband no HS	0.0694** (0.0205)
Husband HSplus	-0.0258 (0.0135)
Wife no HS	0.0462* (0.0215)
Wife HSplus	-0.0269* (0.0135)
Both work	-0.0869** (0.0204)
Wife work weeks	0.0076 (0.0229)
Wife Full-time	0.0045 (0.0146)
Constant	-1.1266** (0.0250)
N	8,680
$\overline{R^2}$	0.4429

Standard errors reported in parentheses. \*\* indicates significance at the 1% level, and \* indicates significance at the 5% level in a two-tailed test.

**Table 2.4 Variable Definitions for Equation (2)**

Total Expenditure	the log of total expenditures (in \$10,000)
(Total Expenditure) <sup>2</sup>	the square of the log of total expenditures
<b><u><math>\alpha(K)</math> variables:</u></b>	
Kid1	dummy variable, takes value of 1 if one child, 0 otherwise;
Kid2	dummy variable, takes value of 1 if two children, 0 otherwise;
Kid3	dummy variable, takes value of 1 if three children, 0 otherwise;
Kid4	dummy variable, takes value of 1 if four children, 0 otherwise;
Kid4plus	dummy variable, takes the value of 1 if more than four children, 0 otherwise;
<b><u><math>\gamma(X)</math> variables:</u></b>	
Black	dummy variable, takes value of 1 if race of household head is black, 0 otherwise;
Midwest	dummy variable, takes value of 1 if family resides in Midwest, 0 otherwise;
West	dummy variable, takes value of 1 if family resides in West, 0 otherwise;
South	dummy variable, takes value of 1 if family resides in South, 0 otherwise;
Husband no HS	dummy variable, takes value of 1 if the husband has less than a high school diploma, 0 otherwise;
Husband HSplus	dummy variable, takes value of 1 if the husband has more than 12 years of education, 0 otherwise;
Wife no HS	dummy variable, takes value of 1 if the wife has less than a high school diploma, 0 otherwise;
Wife HSplus	dummy variable, takes the value of 1 if the wife has more than 12 years of education, 0 otherwise;
Both work	1 if both the husband and wife work, 0 otherwise;
Wife work weeks	number of weeks worked by the wife, 0 otherwise;
Wife full-time	1 if the usual work week of the wife was greater than 35 hours, 0 otherwise.

### ***Deducting Costs of Childcare***

The basic support obligation in the income shares model excludes the costs of work-related childcare and the child(ren)'s share of extraordinary medical expenses. The noncustodial parent's proportional share of actual expenditures on these items is added to the basic obligation in the child support order. Therefore, the data must be adjusted to exclude these expenditures.

The relationship between childcare expenditures as a proportion of total spending ( $CC$ ) and total spending ( $S$ ) is estimated from the CEX data by the following regression:

$$(5) \quad CC = \beta_0 + \beta_1(S) + \beta_2(S)^2$$

Again, the exponential term is included to allow for nonlinearity in the relationship. The regression is estimated over observations with at least one child in the family. The results are shown in Table 2.5.

**Table 2.5 Childcare Cost Model Results**

Dependent Variable: Childcare cost per child as a proportion of total spending	
<i>Variable</i>	<i>Coefficient</i>
S	0.0019** (0.0004)
S <sup>2</sup>	-0.0001** (0.00002)
Constant	0.0065** (0.0012)
N	6,007
$\overline{R^2}$	0.0039

Standard errors reported in parentheses. \*\* indicates significance at the 1% level and \* indicates significance at the 5% level in a two-tailed test.

Spending on childcare as a proportion of total spending rises as total spending rises but at a decreasing rate. Using the result from equation (5), the adjustment for childcare costs is:

$$\text{Childcare Cost} = CC * \text{Number of Children} * S.$$

### ***Deducting the Child's Share of Unreimbursed Medical Expenses***

The adjustment for unreimbursed medical expenses is similar to the adjustment for childcare costs, although not as easily computed since medical expenses in the CEX data are not itemized for each household member. To compute an adjustment for medical expenses, the child's share of family medical expenditures is assumed to be the same as the child's share of total consumption.

The relationship between medical expenses as a proportion of total spending ( $M$ ) and total spending ( $S$ ) is estimated from the CEX data using the following regression:

$$M = \beta_0 + \beta_1(S) + \beta_2(S)^2$$

The regression is estimated over all observations. The results are shown in Table 2.6.

**Table 2.6 Medical Expense Model Results**

Dependent Variable: Medical expense as a proportion of total spending

<i>Variable</i>	<i>Coefficient</i>
S	-0.0002 (0.0005)
S <sup>2</sup>	-0.0001** (0.00003)
Constant	0.0548** (0.0017)
N	8,680
$\overline{R^2}$	0.0098

Standard errors reported in parentheses. \*\* indicates significance at the 1% level and \* indicates significance at the 5% level in a two-tailed test.

Medical expenses as a proportion of total consumption spending fall as total consumption spending rises. The adjustment for medical costs is calculated as:

$$\text{Medical Cost} = M * (S_K - S_0) / S_K.$$

### ***Self-Support Reserve***

The current Florida schedule of basic child support obligations includes a self-support reserve based on the 1992 single-person federal poverty guideline. The inclusion of a self-support reserve ensures that obligors have sufficient income to maintain a minimum standard of living, that is, to avoid being pushed into poverty by payment of the child support obligation or, if they are already in poverty, to avoid exacerbation of poverty. The self-support reserve in the proposed schedule is \$738, equal to the 2002 poverty guideline. Although no minimum order amount is specified in the Florida guidelines, the proposed schedule like the current schedule implicitly assumes that all noncustodial parents are obligated to pay at least \$50.

For incomes above the self-support reserve, the calculated child support obligation based on economic data is phased in gradually until the point at which the obligor can pay the full support obligation and still have sufficient remaining income to remain above poverty. This preserves the integrity of the self-support reserve. For one child, the basic support obligation shown in the schedule is the smaller of (1) the calculated amount based on the estimated expenditures on children, or (2) 90% of the difference between the obligor's income level and the poverty threshold. For two children, the percentage is 91% of the difference, 92% for 3 children, 93% for 4 children, 94% for 5 children, and 95% for 6 children.

## **Revised Schedule of Basic Child Support Obligations**

The proposed updated schedule of basic child support obligations is contained in Appendix 2-1. As Figure 2.1 shows, the basic support obligations for two children in the proposed schedule are lower at most income levels than those in the current schedule. The differences are relatively small, however, except at higher income levels. The patterns are the same for other numbers of children as shown in the figures in Appendix 2-2. There is a small range of very low incomes for one or two children and a larger range of incomes for families with more children at which the proposed schedule amounts are higher.

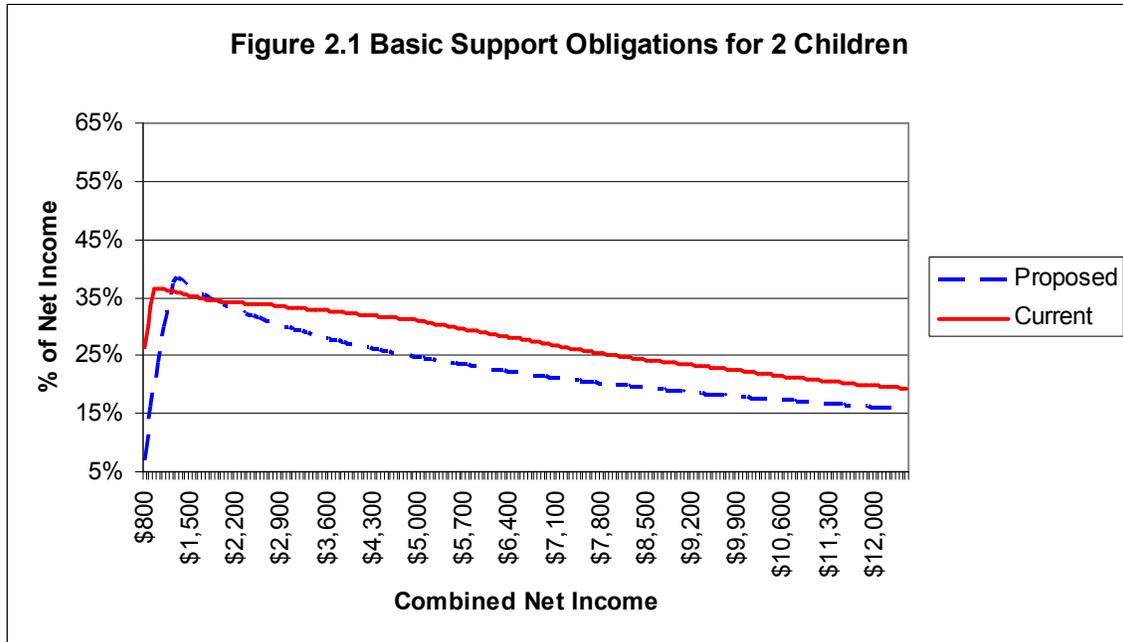
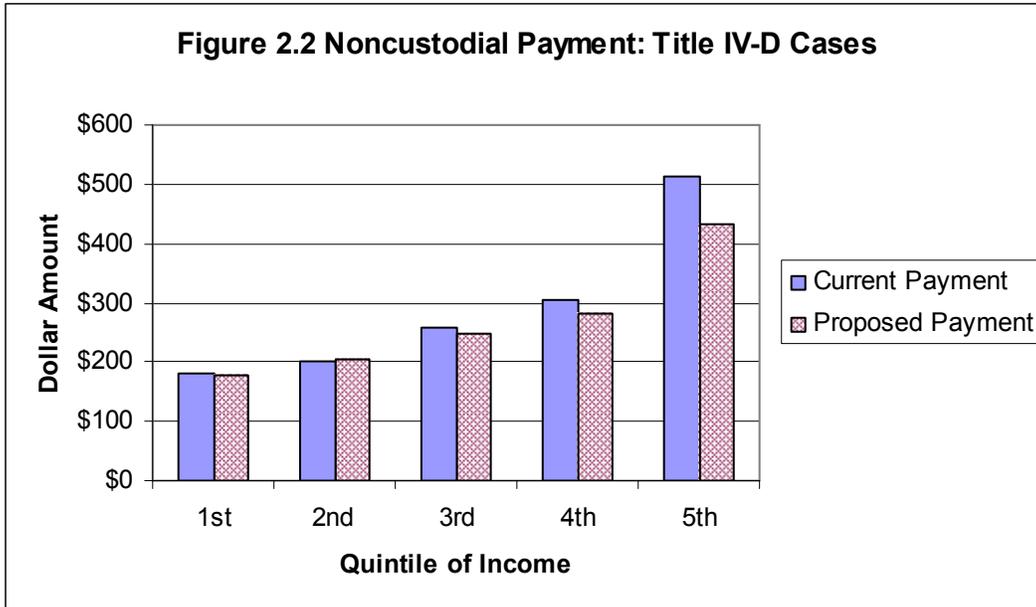
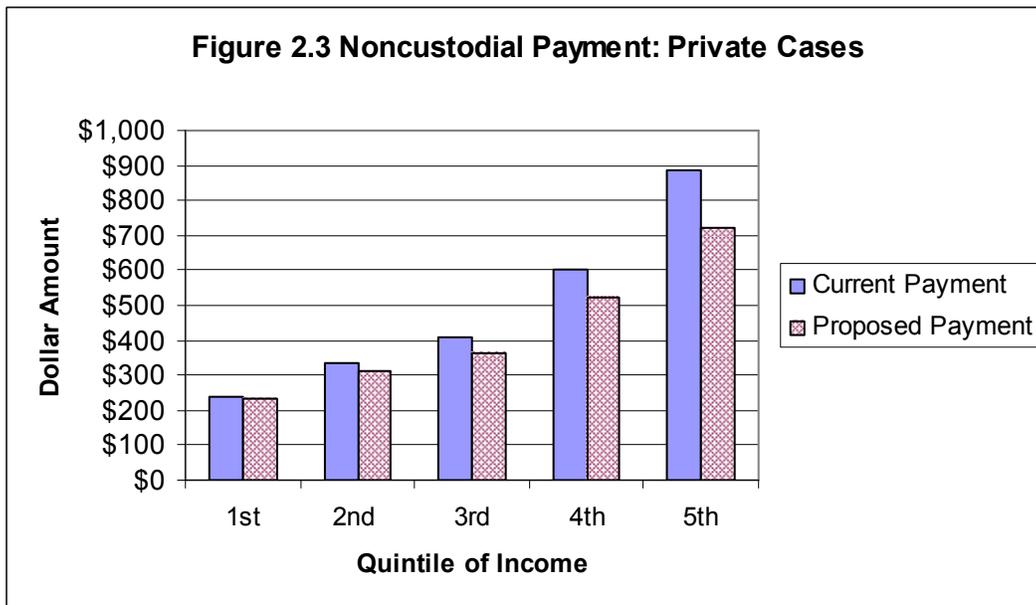


Figure 2.2 shows that for approximately 60% of the Title IV-D cases in the subsample, the average child support payment changes vary little from the current schedule. Only for the 20% of IV-D cases with the highest incomes would the average payment change substantially.



Similarly, Figure 2.3 shows that in 40% of the private cases there is almost no change in the average child support payment. For the top 20%, the average payment decreases substantially, and the average payment for the middle 40% decreases slightly.



Applying the proposed schedule of basic child support obligations to the actual distribution of the child support cases in Florida indicates that the effect of the proposed schedule would be minimal for most cases. Only the top 20% of cases ranked by income would see a significant change in child support payments. In those cases, the child support payments would decrease substantially.

The estimates of expenditures on children from which these proposed support obligations are derived are lower as a percent of total family expenditures than other estimates. Some possible reasons for the difference are discussed in Appendix 2-3.

## Appendix 2-1

<b>Proposed Schedule of Basic Child Support Obligations</b>						
Combined Net Income	Number of Children					
	1	2	3	4	5	6
\$800	\$56	\$56	\$57	\$58	\$58	\$59
\$850	\$101	\$102	\$103	\$104	\$105	\$106
\$900	\$146	\$147	\$149	\$151	\$152	\$154
\$950	\$191	\$193	\$195	\$197	\$199	\$201
\$1,000	\$236	\$238	\$241	\$244	\$246	\$249
\$1,050	\$251	\$284	\$287	\$290	\$293	\$296
\$1,100	\$260	\$329	\$333	\$337	\$340	\$344
\$1,150	\$269	\$375	\$379	\$383	\$387	\$391
\$1,200	\$277	\$420	\$425	\$430	\$434	\$439
\$1,250	\$286	\$466	\$471	\$476	\$481	\$486
\$1,300	\$294	\$498	\$517	\$523	\$528	\$534
\$1,350	\$302	\$512	\$563	\$569	\$575	\$581
\$1,400	\$310	\$525	\$609	\$616	\$622	\$629
\$1,450	\$319	\$539	\$655	\$662	\$669	\$676
\$1,500	\$327	\$552	\$701	\$709	\$716	\$724
\$1,550	\$334	\$565	\$747	\$755	\$763	\$771
\$1,600	\$342	\$578	\$793	\$802	\$810	\$819
\$1,650	\$350	\$591	\$828	\$848	\$857	\$866
\$1,700	\$358	\$604	\$845	\$895	\$904	\$914
\$1,750	\$365	\$616	\$863	\$941	\$951	\$961
\$1,800	\$373	\$629	\$880	\$988	\$998	\$1,009
\$1,850	\$380	\$641	\$897	\$1,034	\$1,045	\$1,056
\$1,900	\$388	\$653	\$914	\$1,075	\$1,092	\$1,104
\$1,950	\$395	\$665	\$930	\$1,095	\$1,139	\$1,151
\$2,000	\$402	\$677	\$947	\$1,114	\$1,186	\$1,199
\$2,050	\$409	\$689	\$963	\$1,132	\$1,233	\$1,246
\$2,100	\$416	\$701	\$979	\$1,151	\$1,266	\$1,294
\$2,150	\$423	\$712	\$995	\$1,169	\$1,286	\$1,332
\$2,200	\$430	\$724	\$1,011	\$1,188	\$1,306	\$1,352
\$2,250	\$437	\$735	\$1,027	\$1,206	\$1,325	\$1,371
\$2,300	\$444	\$747	\$1,042	\$1,224	\$1,344	\$1,390
\$2,350	\$451	\$758	\$1,058	\$1,241	\$1,363	\$1,409
\$2,400	\$458	\$769	\$1,073	\$1,259	\$1,382	\$1,428
\$2,450	\$464	\$780	\$1,088	\$1,276	\$1,400	\$1,446
\$2,500	\$471	\$791	\$1,103	\$1,293	\$1,419	\$1,465
\$2,550	\$477	\$802	\$1,118	\$1,310	\$1,437	\$1,483
\$2,600	\$484	\$812	\$1,133	\$1,327	\$1,455	\$1,501
\$2,650	\$490	\$823	\$1,147	\$1,344	\$1,473	\$1,519
\$2,700	\$497	\$833	\$1,162	\$1,361	\$1,490	\$1,536

<b>Proposed Schedule of Basic Child Support Obligations</b>						
Combined Net Income	Number of Children					
	1	2	3	4	5	6
\$2,750	\$503	\$844	\$1,176	\$1,377	\$1,508	\$1,554
\$2,800	\$509	\$854	\$1,190	\$1,393	\$1,525	\$1,571
\$2,850	\$515	\$864	\$1,204	\$1,409	\$1,543	\$1,588
\$2,900	\$522	\$875	\$1,218	\$1,425	\$1,560	\$1,605
\$2,950	\$528	\$885	\$1,232	\$1,441	\$1,576	\$1,622
\$3,000	\$534	\$895	\$1,246	\$1,457	\$1,593	\$1,638
\$3,050	\$540	\$905	\$1,260	\$1,473	\$1,610	\$1,655
\$3,100	\$546	\$914	\$1,273	\$1,488	\$1,626	\$1,671
\$3,150	\$552	\$924	\$1,286	\$1,503	\$1,643	\$1,687
\$3,200	\$558	\$934	\$1,300	\$1,519	\$1,659	\$1,703
\$3,250	\$563	\$943	\$1,313	\$1,534	\$1,675	\$1,719
\$3,300	\$569	\$953	\$1,326	\$1,549	\$1,691	\$1,734
\$3,350	\$575	\$962	\$1,339	\$1,563	\$1,706	\$1,750
\$3,400	\$581	\$972	\$1,352	\$1,578	\$1,722	\$1,765
\$3,450	\$586	\$981	\$1,365	\$1,593	\$1,737	\$1,781
\$3,500	\$592	\$990	\$1,377	\$1,607	\$1,753	\$1,796
\$3,550	\$597	\$999	\$1,390	\$1,621	\$1,768	\$1,811
\$3,600	\$603	\$1,008	\$1,402	\$1,636	\$1,783	\$1,826
\$3,650	\$608	\$1,017	\$1,415	\$1,650	\$1,798	\$1,841
\$3,700	\$614	\$1,026	\$1,427	\$1,664	\$1,813	\$1,855
\$3,750	\$619	\$1,035	\$1,439	\$1,678	\$1,827	\$1,870
\$3,800	\$625	\$1,044	\$1,451	\$1,691	\$1,842	\$1,884
\$3,850	\$630	\$1,053	\$1,463	\$1,705	\$1,857	\$1,898
\$3,900	\$635	\$1,061	\$1,475	\$1,718	\$1,871	\$1,912
\$3,950	\$640	\$1,070	\$1,487	\$1,732	\$1,885	\$1,926
\$4,000	\$646	\$1,078	\$1,498	\$1,745	\$1,899	\$1,940
\$4,050	\$651	\$1,087	\$1,510	\$1,758	\$1,913	\$1,954
\$4,100	\$656	\$1,095	\$1,521	\$1,772	\$1,927	\$1,968
\$4,150	\$661	\$1,104	\$1,533	\$1,785	\$1,941	\$1,981
\$4,200	\$666	\$1,112	\$1,544	\$1,798	\$1,955	\$1,995
\$4,250	\$671	\$1,120	\$1,555	\$1,810	\$1,968	\$2,008
\$4,300	\$676	\$1,128	\$1,567	\$1,823	\$1,982	\$2,021
\$4,350	\$681	\$1,136	\$1,578	\$1,836	\$1,995	\$2,035
\$4,400	\$686	\$1,145	\$1,589	\$1,848	\$2,008	\$2,048
\$4,450	\$691	\$1,152	\$1,600	\$1,861	\$2,022	\$2,061
\$4,500	\$696	\$1,160	\$1,611	\$1,873	\$2,035	\$2,073
\$4,550	\$700	\$1,168	\$1,621	\$1,885	\$2,048	\$2,086
\$4,600	\$705	\$1,176	\$1,632	\$1,898	\$2,060	\$2,099
\$4,650	\$710	\$1,184	\$1,643	\$1,910	\$2,073	\$2,111
\$4,700	\$715	\$1,192	\$1,653	\$1,922	\$2,086	\$2,124
\$4,750	\$719	\$1,199	\$1,664	\$1,934	\$2,098	\$2,136

## Proposed Schedule of Basic Child Support Obligations

Combined Net Income	Number of Children					
	1	2	3	4	5	6
\$4,800	\$724	\$1,207	\$1,674	\$1,945	\$2,111	\$2,148
\$4,850	\$729	\$1,214	\$1,684	\$1,957	\$2,123	\$2,160
\$4,900	\$733	\$1,222	\$1,695	\$1,969	\$2,136	\$2,172
\$4,950	\$738	\$1,229	\$1,705	\$1,980	\$2,148	\$2,184
\$5,000	\$742	\$1,237	\$1,715	\$1,992	\$2,160	\$2,196
\$5,050	\$747	\$1,244	\$1,725	\$2,003	\$2,172	\$2,208
\$5,100	\$751	\$1,251	\$1,735	\$2,015	\$2,184	\$2,220
\$5,150	\$755	\$1,259	\$1,745	\$2,026	\$2,196	\$2,231
\$5,200	\$760	\$1,266	\$1,755	\$2,037	\$2,208	\$2,243
\$5,250	\$764	\$1,273	\$1,764	\$2,048	\$2,219	\$2,254
\$5,300	\$769	\$1,280	\$1,774	\$2,059	\$2,231	\$2,266
\$5,350	\$773	\$1,287	\$1,784	\$2,070	\$2,243	\$2,277
\$5,400	\$777	\$1,294	\$1,793	\$2,081	\$2,254	\$2,288
\$5,450	\$781	\$1,301	\$1,803	\$2,092	\$2,265	\$2,299
\$5,500	\$786	\$1,308	\$1,812	\$2,103	\$2,277	\$2,310
\$5,550	\$790	\$1,315	\$1,822	\$2,113	\$2,288	\$2,321
\$5,600	\$794	\$1,321	\$1,831	\$2,124	\$2,299	\$2,332
\$5,650	\$798	\$1,328	\$1,840	\$2,134	\$2,310	\$2,343
\$5,700	\$802	\$1,335	\$1,849	\$2,145	\$2,321	\$2,354
\$5,750	\$806	\$1,342	\$1,859	\$2,155	\$2,332	\$2,365
\$5,800	\$810	\$1,348	\$1,868	\$2,165	\$2,343	\$2,375
\$5,850	\$814	\$1,355	\$1,877	\$2,176	\$2,354	\$2,386
\$5,900	\$818	\$1,361	\$1,886	\$2,186	\$2,365	\$2,396
\$5,950	\$822	\$1,368	\$1,895	\$2,196	\$2,375	\$2,406
\$6,000	\$826	\$1,374	\$1,903	\$2,206	\$2,386	\$2,417
\$6,050	\$830	\$1,381	\$1,912	\$2,216	\$2,396	\$2,427
\$6,100	\$834	\$1,387	\$1,921	\$2,226	\$2,407	\$2,437
\$6,150	\$838	\$1,394	\$1,930	\$2,236	\$2,417	\$2,447
\$6,200	\$842	\$1,400	\$1,938	\$2,245	\$2,427	\$2,457
\$6,250	\$846	\$1,406	\$1,947	\$2,255	\$2,438	\$2,467
\$6,300	\$850	\$1,412	\$1,955	\$2,265	\$2,448	\$2,477
\$6,350	\$853	\$1,419	\$1,964	\$2,274	\$2,458	\$2,487
\$6,400	\$857	\$1,425	\$1,972	\$2,284	\$2,468	\$2,497
\$6,450	\$861	\$1,431	\$1,981	\$2,293	\$2,478	\$2,507
\$6,500	\$865	\$1,437	\$1,989	\$2,303	\$2,488	\$2,516
\$6,550	\$868	\$1,443	\$1,997	\$2,312	\$2,498	\$2,526
\$6,600	\$872	\$1,449	\$2,005	\$2,321	\$2,507	\$2,535
\$6,650	\$876	\$1,455	\$2,013	\$2,331	\$2,517	\$2,545
\$6,700	\$879	\$1,461	\$2,022	\$2,340	\$2,527	\$2,554
\$6,750	\$883	\$1,467	\$2,030	\$2,349	\$2,536	\$2,563
\$6,800	\$886	\$1,473	\$2,038	\$2,358	\$2,546	\$2,573

<b>Proposed Schedule of Basic Child Support Obligations</b>						
Combined Net Income	Number of Children					
	1	2	3	4	5	6
\$6,850	\$890	\$1,478	\$2,046	\$2,367	\$2,555	\$2,582
\$6,900	\$894	\$1,484	\$2,053	\$2,376	\$2,565	\$2,591
\$6,950	\$897	\$1,490	\$2,061	\$2,385	\$2,574	\$2,600
<b>\$7,000</b>	<b>\$901</b>	<b>\$1,496</b>	<b>\$2,069</b>	<b>\$2,394</b>	<b>\$2,583</b>	<b>\$2,609</b>
\$7,050	\$904	\$1,501	\$2,077	\$2,403	\$2,593	\$2,618
\$7,100	\$908	\$1,507	\$2,085	\$2,411	\$2,602	\$2,627
\$7,150	\$911	\$1,513	\$2,092	\$2,420	\$2,611	\$2,636
\$7,200	\$914	\$1,518	\$2,100	\$2,429	\$2,620	\$2,645
\$7,250	\$918	\$1,524	\$2,107	\$2,437	\$2,629	\$2,654
\$7,300	\$921	\$1,529	\$2,115	\$2,446	\$2,638	\$2,662
\$7,350	\$925	\$1,535	\$2,122	\$2,454	\$2,647	\$2,671
\$7,400	\$928	\$1,540	\$2,130	\$2,463	\$2,656	\$2,680
\$7,450	\$931	\$1,546	\$2,137	\$2,471	\$2,665	\$2,688
\$7,500	\$934	\$1,551	\$2,145	\$2,479	\$2,673	\$2,697
\$7,550	\$938	\$1,556	\$2,152	\$2,488	\$2,682	\$2,705
\$7,600	\$941	\$1,562	\$2,159	\$2,496	\$2,691	\$2,714
\$7,650	\$944	\$1,567	\$2,167	\$2,504	\$2,699	\$2,722
\$7,700	\$948	\$1,572	\$2,174	\$2,512	\$2,708	\$2,730
\$7,750	\$951	\$1,578	\$2,181	\$2,520	\$2,716	\$2,739
\$7,800	\$954	\$1,583	\$2,188	\$2,529	\$2,725	\$2,747
\$7,850	\$957	\$1,588	\$2,195	\$2,537	\$2,733	\$2,755
\$7,900	\$960	\$1,593	\$2,202	\$2,545	\$2,742	\$2,763
\$7,950	\$963	\$1,598	\$2,209	\$2,552	\$2,750	\$2,771
\$8,000	\$966	\$1,603	\$2,216	\$2,560	\$2,758	\$2,779
\$8,050	\$970	\$1,608	\$2,223	\$2,568	\$2,766	\$2,787
\$8,100	\$973	\$1,613	\$2,230	\$2,576	\$2,775	\$2,795
\$8,150	\$976	\$1,618	\$2,237	\$2,584	\$2,783	\$2,803
\$8,200	\$979	\$1,623	\$2,244	\$2,591	\$2,791	\$2,811
\$8,250	\$982	\$1,628	\$2,250	\$2,599	\$2,799	\$2,819
\$8,300	\$985	\$1,633	\$2,257	\$2,607	\$2,807	\$2,827
\$8,350	\$988	\$1,638	\$2,264	\$2,614	\$2,815	\$2,834
\$8,400	\$991	\$1,643	\$2,270	\$2,622	\$2,823	\$2,842
\$8,450	\$994	\$1,648	\$2,277	\$2,629	\$2,831	\$2,850
\$8,500	\$997	\$1,653	\$2,284	\$2,637	\$2,838	\$2,857
\$8,550	\$1,000	\$1,657	\$2,290	\$2,644	\$2,846	\$2,865
\$8,600	\$1,003	\$1,662	\$2,297	\$2,651	\$2,854	\$2,872
\$8,650	\$1,006	\$1,667	\$2,303	\$2,659	\$2,862	\$2,880
\$8,700	\$1,008	\$1,672	\$2,310	\$2,666	\$2,869	\$2,887
\$8,750	\$1,011	\$1,676	\$2,316	\$2,673	\$2,877	\$2,895
\$8,800	\$1,014	\$1,681	\$2,322	\$2,681	\$2,884	\$2,902
\$8,850	\$1,017	\$1,686	\$2,329	\$2,688	\$2,892	\$2,909

<b>Proposed Schedule of Basic Child Support Obligations</b>						
Combined Net Income	Number of Children					
	1	2	3	4	5	6
\$8,900	\$1,020	\$1,690	\$2,335	\$2,695	\$2,899	\$2,916
\$8,950	\$1,023	\$1,695	\$2,341	\$2,702	\$2,907	\$2,924
\$9,000	\$1,025	\$1,699	\$2,347	\$2,709	\$2,914	\$2,931
\$9,050	\$1,028	\$1,704	\$2,354	\$2,716	\$2,922	\$2,938
\$9,100	\$1,031	\$1,709	\$2,360	\$2,723	\$2,929	\$2,945
\$9,150	\$1,034	\$1,713	\$2,366	\$2,730	\$2,936	\$2,952
\$9,200	\$1,037	\$1,718	\$2,372	\$2,737	\$2,944	\$2,959
\$9,250	\$1,039	\$1,722	\$2,378	\$2,744	\$2,951	\$2,966
\$9,300	\$1,042	\$1,726	\$2,384	\$2,751	\$2,958	\$2,973
\$9,350	\$1,045	\$1,731	\$2,390	\$2,757	\$2,965	\$2,980
\$9,400	\$1,047	\$1,735	\$2,396	\$2,764	\$2,972	\$2,987
\$9,450	\$1,050	\$1,740	\$2,402	\$2,771	\$2,979	\$2,994
\$9,500	\$1,053	\$1,744	\$2,408	\$2,778	\$2,986	\$3,001
\$9,550	\$1,055	\$1,748	\$2,414	\$2,784	\$2,993	\$3,007
\$9,600	\$1,058	\$1,752	\$2,420	\$2,791	\$3,000	\$3,014
\$9,650	\$1,061	\$1,757	\$2,426	\$2,797	\$3,007	\$3,021
\$9,700	\$1,063	\$1,761	\$2,431	\$2,804	\$3,014	\$3,028
\$9,750	\$1,066	\$1,765	\$2,437	\$2,811	\$3,021	\$3,034
\$9,800	\$1,068	\$1,769	\$2,443	\$2,817	\$3,028	\$3,041
\$9,850	\$1,071	\$1,774	\$2,449	\$2,823	\$3,034	\$3,047
\$9,900	\$1,073	\$1,778	\$2,454	\$2,830	\$3,041	\$3,054
\$9,950	\$1,076	\$1,782	\$2,460	\$2,836	\$3,048	\$3,060
\$10,000	\$1,079	\$1,786	\$2,466	\$2,843	\$3,055	\$3,067
\$10,050	\$1,081	\$1,790	\$2,471	\$2,849	\$3,061	\$3,073
\$10,100	\$1,084	\$1,794	\$2,477	\$2,855	\$3,068	\$3,080
\$10,150	\$1,086	\$1,798	\$2,482	\$2,862	\$3,074	\$3,086
\$10,200	\$1,089	\$1,802	\$2,488	\$2,868	\$3,081	\$3,092
\$10,250	\$1,091	\$1,806	\$2,493	\$2,874	\$3,087	\$3,099
\$10,300	\$1,093	\$1,810	\$2,499	\$2,880	\$3,094	\$3,105
\$10,350	\$1,096	\$1,814	\$2,504	\$2,886	\$3,100	\$3,111
\$10,400	\$1,098	\$1,818	\$2,509	\$2,892	\$3,107	\$3,117
\$10,450	\$1,101	\$1,822	\$2,515	\$2,898	\$3,113	\$3,124
\$10,500	\$1,103	\$1,826	\$2,520	\$2,904	\$3,119	\$3,130
\$10,550	\$1,105	\$1,830	\$2,526	\$2,910	\$3,126	\$3,136
\$10,600	\$1,108	\$1,834	\$2,531	\$2,916	\$3,132	\$3,142
\$10,650	\$1,110	\$1,838	\$2,536	\$2,922	\$3,138	\$3,148
\$10,700	\$1,113	\$1,842	\$2,541	\$2,928	\$3,144	\$3,154
\$10,750	\$1,115	\$1,845	\$2,547	\$2,934	\$3,151	\$3,160
\$10,800	\$1,117	\$1,849	\$2,552	\$2,940	\$3,157	\$3,166
\$10,850	\$1,120	\$1,853	\$2,557	\$2,946	\$3,163	\$3,172
\$10,900	\$1,122	\$1,857	\$2,562	\$2,952	\$3,169	\$3,178

<b>Proposed Schedule of Basic Child Support Obligations</b>						
Combined Net Income	Number of Children					
	1	2	3	4	5	6
\$10,950	\$1,124	\$1,860	\$2,567	\$2,958	\$3,175	\$3,184
\$11,000	\$1,126	\$1,864	\$2,572	\$2,963	\$3,181	\$3,190
\$11,050	\$1,129	\$1,868	\$2,577	\$2,969	\$3,187	\$3,195
\$11,100	\$1,131	\$1,872	\$2,582	\$2,975	\$3,193	\$3,201
\$11,150	\$1,133	\$1,875	\$2,587	\$2,980	\$3,199	\$3,207
\$11,200	\$1,135	\$1,879	\$2,592	\$2,986	\$3,205	\$3,213
\$11,250	\$1,138	\$1,883	\$2,597	\$2,992	\$3,211	\$3,218
\$11,300	\$1,140	\$1,886	\$2,602	\$2,997	\$3,217	\$3,224
\$11,350	\$1,142	\$1,890	\$2,607	\$3,003	\$3,222	\$3,230
\$11,400	\$1,144	\$1,893	\$2,612	\$3,008	\$3,228	\$3,235
\$11,450	\$1,146	\$1,897	\$2,617	\$3,014	\$3,234	\$3,241
\$11,500	\$1,149	\$1,900	\$2,622	\$3,019	\$3,240	\$3,246
\$11,550	\$1,151	\$1,904	\$2,626	\$3,025	\$3,245	\$3,252
\$11,600	\$1,153	\$1,907	\$2,631	\$3,030	\$3,251	\$3,257
\$11,650	\$1,155	\$1,911	\$2,636	\$3,035	\$3,257	\$3,263
\$11,700	\$1,157	\$1,914	\$2,641	\$3,041	\$3,262	\$3,268
\$11,750	\$1,159	\$1,918	\$2,645	\$3,046	\$3,268	\$3,274
\$11,800	\$1,161	\$1,921	\$2,650	\$3,051	\$3,273	\$3,279
\$11,850	\$1,164	\$1,925	\$2,655	\$3,057	\$3,279	\$3,285
\$11,900	\$1,166	\$1,928	\$2,659	\$3,062	\$3,284	\$3,290
\$11,950	\$1,168	\$1,931	\$2,664	\$3,067	\$3,290	\$3,295
\$12,000	\$1,170	\$1,935	\$2,669	\$3,072	\$3,295	\$3,300
\$12,050	\$1,172	\$1,938	\$2,673	\$3,077	\$3,301	\$3,306
\$12,100	\$1,174	\$1,941	\$2,678	\$3,083	\$3,306	\$3,311
\$12,150	\$1,176	\$1,945	\$2,682	\$3,088	\$3,312	\$3,316
\$12,200	\$1,178	\$1,948	\$2,687	\$3,093	\$3,317	\$3,321
\$12,250	\$1,180	\$1,951	\$2,691	\$3,098	\$3,322	\$3,326
\$12,300	\$1,182	\$1,955	\$2,696	\$3,103	\$3,327	\$3,332
\$12,350	\$1,184	\$1,958	\$2,700	\$3,108	\$3,333	\$3,337
\$12,400	\$1,186	\$1,961	\$2,704	\$3,113	\$3,338	\$3,342
\$12,450	\$1,188	\$1,964	\$2,709	\$3,118	\$3,343	\$3,347
\$12,500	\$1,190	\$1,967	\$2,713	\$3,123	\$3,348	\$3,352

## Appendix 2-2 Comparison of Proposed and Current Support Obligations by Number of Children

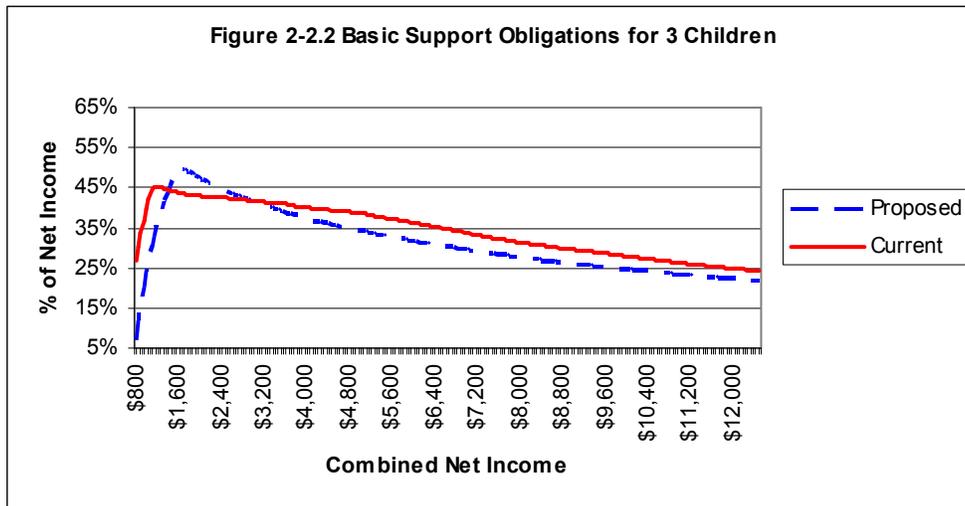
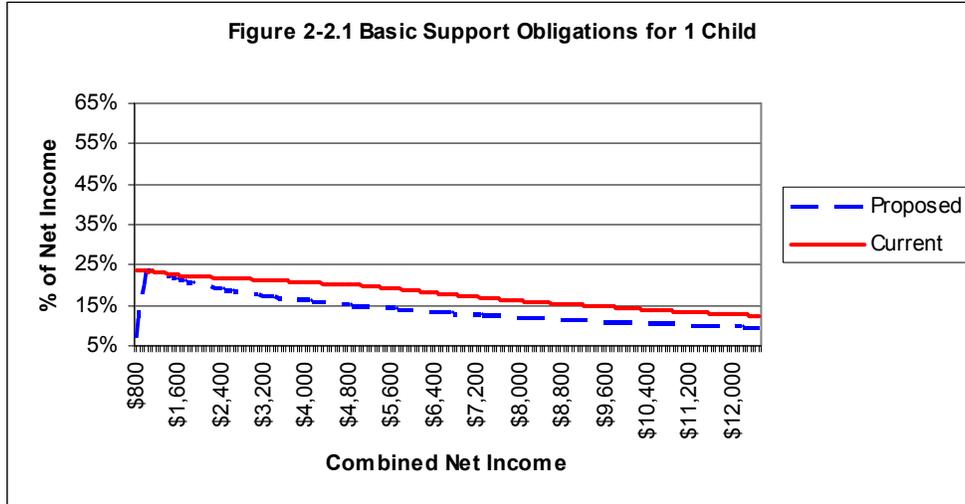


Figure 2-2.3 Basic Support Obligations for 4 Children

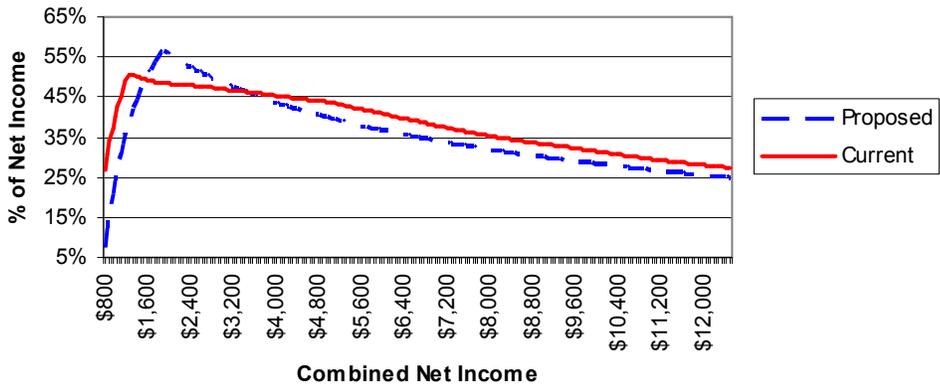


Figure 2-2.4 Basic Support Obligations for 5 Children

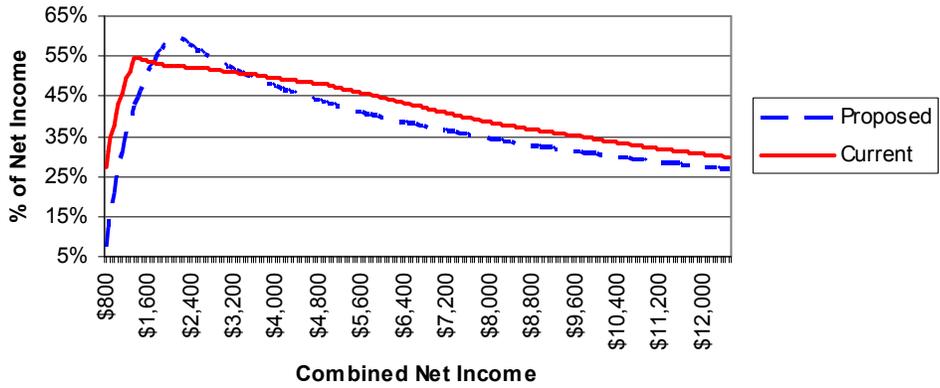
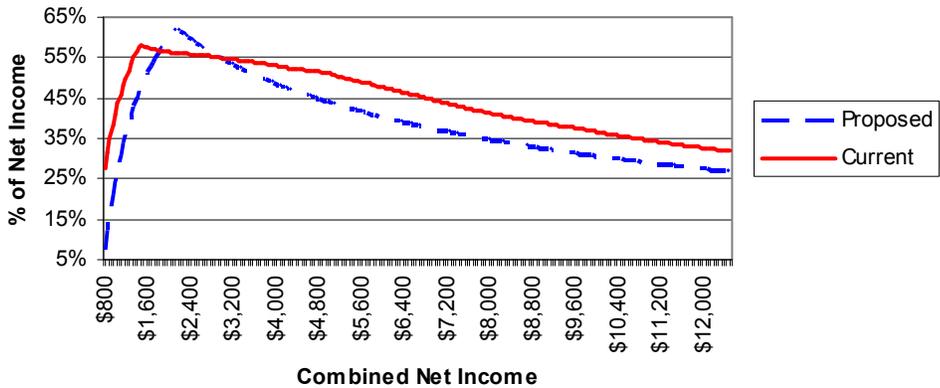


Figure 2-2.5 Basic Support Obligations for 6 Children



## Appendix 2-3

### Explaining Differences in Estimates of Expenditures on Children across Models

Estimates of expenditures on children are sensitive to the specification of the estimating equation, the choice of variables to include in the equation, and the data series used in the estimation. In an attempt to reconcile differences in the estimates, this appendix compares the estimates in this report with earlier Engel-based estimates from Espenshade and Betson. In addition, Betson's 1990 model is also re-estimated using the more recent 1999-2001 CEX data.

Study	Data Years	Average Child-rearing Expenditures as a Percent of Total Family Expenditures		
		One Child	Two Children	Three Children
Espenshade (1984)	1972-73	24%	41%	51%
Betson (1990)	1980-86	33%	49%	59%
Betson (2001)	1996-98	30%	44%	52%

Table 2-3.1 presents estimated expenditures on children as a share of total expenditures for the Espenshade and Betson studies. Using 1972-1973 CEX data, Espenshade estimates the average cost of one child as 24 percent of total family expenditures. He finds the corresponding figures for two and three children to be 41 and 51 percent. Betson (1990), which relies on 1980-1986 CEX data, reports estimates for that are eight to nine percentage points higher than Espenshade's. Betson (2001), which is based on 1996-1998 CEX data, finds that expenditures on children are lower than the earlier study, but still greater than Espenshade's. The difference is six percentage points for one child, three percentage points for two children, and one percentage point for three children.

To investigate the source of the differences between the results in this report, which represent an update of the Espenshade and Betson estimates, Betson's 1990 model was re-estimated using 1999-2001 CEX data.<sup>21</sup> The Betson model is

$$\log [\Theta/(1-\Theta)] = \Theta_0 + \Theta_1 \log(\text{TE}_i / \text{FS}_i) + \Theta_2 [\log(\text{TE}_i / \text{FS}_i)]^2 + \Theta_3 \log(\text{FS}_i) + \Theta_4 X_i + \Theta_i$$

where  $\Theta$  is the share of total spending on food at home,  $\text{TE}_i$  is total expenditures,  $\text{FS}_i$  is family size, and  $X_i$  is household composition and other socio-demographic variables. Table 2-3.2 presents the variable definitions used in the Betson model.

<sup>20</sup> Adapted from Report on the Michigan Child Support Formula (2002), p. 10.

<sup>21</sup> The main differences between Betson (1990) and Betson (2001) are that the later study uses more recent data and that the dependent variable in Betson (1990) is the log [food at home share/(1-food at home share)], while in Betson (2001) it is the log (food at home share). Using the more recent data shows that the change in variable definition has little effect on the estimates.

<b>Table 2-3.2 Variable Definitions for Betson Replication</b>	
<b>Variable</b>	<b>Definition</b>
$\Theta$	the share of total expenditures devoted to food consumption at home
<b>LEFS</b>	<b>Log of per capita Total Real Expenditures</b>
<b>LEFS*LEFS</b>	<b>Square term of log of per capita total real expenditures</b>
LNFSIZE	Log of family size
CKA1	Number of children 1 to 2 years old divided by family size
CKA2	Number of children 3 to 5 years old divided by family size
CKA3	Number of children 6 to 12 years old divided by family size
CKA4	Number of children 13 to 14 years old divided by family size
CKA5	Number of children 15 to 17 years old divided by family size
CAA6	Number of adults 18 to 24 years old divided by family size
CAA7	Number of adults 25 to 35 years old divided by family size (reference group, omitted in regression)
CAA8	Number of adults 36 to 45 years old divided by family size
CAA9	Number of adults 46 to 55 years old divided by family size
HD_NO_HS	1 if Head's education was less than 12 years, 0 otherwise
HD_COLL	1 if Head's education was greater than 12 years, 0 otherwise
BLACK	1 if the Head was black, 0 otherwise
SP_NO_HS	1 if spouse's education was less than 12 years, 0 otherwise
SP_COLL	1 if spouse's education was greater than 12 years, 0 otherwise
TWOERN	1 if both adults worked, 0 otherwise
W_WORK	Weeks worked by spouse divided by 52
FTIME	1 if the spouse worked more than 30 hours per week, 0 otherwise

To match Betson's sample restrictions, two changes were made to the sample used in this analysis. First, the sample was expanded to include those with missing, zero, or negative income so long as expenditures were positive. Second, those families with more than two adults in the family and those with zero food at home expenditures (which affects very few families) were deleted from the sample. The sample size with the Betson sample restrictions is slightly smaller (8,388) than the sample size here (8,680).

**Table 2-3.3 Replication of Betson (1990)**

Dependent Variable: log of food share at home relative to non-food share	
<i>Variable</i>	<i>Coefficient</i>
LEFS	-0.7994** (0.0101)
LEFS*LEFS	-0.0467** (0.0083)
LNFSIZE	-0.2983** (0.0855)
CKA1	-0.1225 (0.1313)
CKA2	-0.0343 (0.1360)
CKA3	0.0988 (0.1348)
CKA4	0.2216 (0.1431)
CKA5	0.2656* (0.1311)
CAA6	-0.1197** (0.0337)
CAA8	0.1739** (0.0214)
CAA9	0.1921** (0.0215)
HD_NO_HS	0.0624** (0.0203)
HD_COLL	-0.0008 (0.0130)
BLACK	-0.0794** (0.0194)
SP_NO_HS	0.0272 (0.0200)
SP_COLL	0.0131 (0.0127)
TWOERN	-0.0909** (0.0155)
W_WORK	-0.0134 (0.0209)
FTIME	0.0232 (0.0152)
Constant	-1.5282** (0.0607)
$\frac{N}{R^2}$	8,387 0.5264

Standard errors reported in parentheses. \*\* indicates significance at the 1% level, and \* indicates significance at the 5% level in a two-tailed test.

Table 2-3.3 provides the results of the estimation of the Betson model. The results are similar to those reported in Betson (1990). As in that study, food share declines as the log of per capita spending and its square rises. In addition, food share declines as the log of family size increases. In addition, food share is greater for older children than for younger children.

<b>Table 2-3.4 Comparison of Child Cost as a Percent of Expenditure</b>				
		<b>Number of Children</b>		
<b>Model</b>	<b>Sample</b>	<b>1</b>	<b>2</b>	<b>3</b>
Our Model	Our Sample	22%	38%	53%
Our Model	Betson	21%	41%	59%
Betson	Betson	30%	45%	53%
Betson	Our Sample	30%	46%	57%
Betson without child and adult age	Betson	28%	43%	53%
Betson without child and adult age	Our Sample	30%	45%	54%

Note: Expenditure share is evaluated at \$43,050 (\$25,000 in 1983 dollars). Assumed ages of the children are 8 (1 child family), 8 and 10 (2 children family), and 4, 8, and 13 (3 children family). These are the same assumptions as used in Betson (1990).

Table 2-3.4 presents expenditures on children as a percent of total family expenditures for the Betson model as well as for the model used in this report. The estimates of expenditures on children are evaluated at \$43,050 (\$25,000 in 1983 dollars). The assumed ages of the children are eight (one child family), eight and ten (two child family), and four, eight, and thirteen (3 child family). These are the same assumptions used in Betson (1990).

The first row provides the findings for our model using our sample restrictions.<sup>22</sup> The estimates for one and two children are 7 to 8 percentage points less than the Betson model estimates, while estimated expenditures on three children are the same.

Expenditure estimates for the model in this report using the Betson sample restrictions are presented in the second row. They reveal that the estimates are sensitive to the sample restrictions employed. Though expenditures on one child have changed little, expenditures on two children increase by three percentage points and expenditures on three children increase by six percentage points.

The third row presents the estimates for Betson's 1990 model using his sample restrictions. Estimated expenditures on children are very close to those reported by Betson in the more recent 2001 study. The estimate for expenditures on one child (30 percent) is the same. Estimates for two children (45 percent) and three children (53 percent) are one percentage point higher.

As the estimates shown in row four demonstrate, the Betson model estimates for two and three children are also somewhat sensitive to the sample restrictions. The estimates for the Betson model are one percentage point higher for the two-child family

<sup>22</sup> See Chapter 2 for these restrictions.

and three percentage points higher for the three-child family when the sample restrictions in this report are used instead of the Betson sample restrictions.

To examine the impact of including controls for the ages of the adults and children in the family, the Betson model was estimated without those controls with both sets of sample restrictions. Row five shows that the estimates are reduced by two percentage points for one- and two-child families when the Betson sample restrictions are used. Row six reports that the estimates are reduced by one to two percentage points when the sample restrictions in this report are used.

In summary, there are several factors that account for the differences between Betson's estimates of expenditures on children and those reported here. First, the estimates for both models are sensitive to the sample restrictions. The estimates for both models rise for two- and three-child families when the other model's sample restrictions are utilized. Second, including the control for the ages of the adults and children explains one to two percentage points of the higher expenditure estimates from the Betson model. Since most of the gap between the estimates using our model and the estimates using the Betson model remains when sample differences and age controls are accounted for, the gap must be due to the other major difference between the models. **Following Espenshade, the model here uses the log of *total* family expenditures and its square as controls for family spending. The Betson model uses the log of *per capita* family expenditures and its square and the log of family size to control for total family spending and economies of scale. There does not appear to be any substantive economic rationale for choosing one of these specifications over the other, but this difference in specification seems to be driving the differences in the estimates.**

## Chapter 3

### Special Issues in Child Support Guidelines

Policymakers have been particularly concerned with three issues relating to the design of child support guidelines: the treatment of low-income parents, provisions for alternative custody arrangements, and the treatment of prior and subsequent children. The second task in this project is to examine these three issues within the framework of the income shares model. In the analysis that follows, it is assumed that the income shares model is to be retained and the recommendations are intended to be alterations to the model, not a replacement for it.

For each issue, Florida’s current treatment is first reviewed. Then, alternative approaches to treating the issue are discussed. This is followed by a set of recommended changes in Florida’s guidelines.

#### Low-Income Parents

<b>Table 3.1 Overview of Low-Income Parents</b>		
<b>Issue/problem</b>	<b>Current Treatment</b>	<b>Recommendations</b>
Use of combined income	The combined income is compared to the single-person poverty guidelines.	Apply self-support reserve and the phase-in to the noncustodial parent’s income.
Imputed income	Income is imputed at minimum wage for full-time work if actual income is less or information on income is absent.	Reduce reliance on imputed income. Expand the number of sources from which information on actual income is obtained and limit imputation of incomes to those cases where one of the parties does not appear and no information is available from other sources.
Self support reserve	Applies to basic obligation only before childcare and medical expenses are added	Apply the self-support reserve to the total child support payment rather than to the basic support obligation.
Failure to update the low-income provision	The poverty guidelines used in the present child support table are from 1992.	Adopt procedures for annual or biannual updating of the schedule of basic child support obligations to reflect changes in the single-person federal poverty guideline.
The phase-in range is regressive	The marginal rate of child support payment over the phase-in range of incomes is 90-95%, causing a disincentive to earn additional income.	Reduce the marginal child support rate over the phase-in range to some lower percentage such as 50 percent. Make the marginal child support rate independent of the number of children.

Most income shares states modify their schedule of obligations to ensure that the payment of child support does not push the noncustodial parent into poverty. This is typically done by including a “self-support reserve” in the schedule and by phasing in the calculated child support obligations over a range of incomes above the self-support reserve. Florida’s child support guidelines follow this pattern.

An analysis of Florida’s guidelines shows that these provisions are not effective. They affect very few parents because certain features of the current guidelines unintentionally limit their applicability. Furthermore, the failure of these provisions to prevent poverty among parents paying child support may exacerbate the already low compliance rates among these parents. Analysis also shows that Florida’s child support schedule is regressive and provides a significant disincentive for low-income parents to earn additional income.

Among the features of Florida’s child support guidelines that contribute to the ineffectiveness of the self-support reserve and the phase-in are

- comparing the parents’ combined income to the single-person poverty guideline
- imputing income
- applying the self-support reserve and phase-in to the basic child support obligation only
- failing to index the self-support reserve to the poverty guideline.

Each of these issues is discussed in more detail below with a description of alternatives to the current treatment and recommendations for changes in Florida’s guidelines to mitigate these problems.

Some of the recommended changes will reduce the noncustodial parent’s child support obligation. However, this will not necessarily result in lower actual child support payments. If the recommendations improve the incentives for low-income parents to work and earn income or if they improve compliance, then the custodial parent may actually receive larger and more consistent payments. Smaller obligations that are more consistently paid may be better for both the custodial parent and the child than large obligations that go unpaid.

Figure 3.1 shows the average compliance in the subsample of Title IV-D cases for the six-month period June through December 2001. The two lowest income brackets pay only 34% and 29% of the amount ordered so that the actual payment to the custodial parent is only one-third or less of the court-ordered amount. Compliance among parents with incomes above \$800, on the other hand, ranges from 50% to 80%. As the figure shows, compliance tends to increase with income.

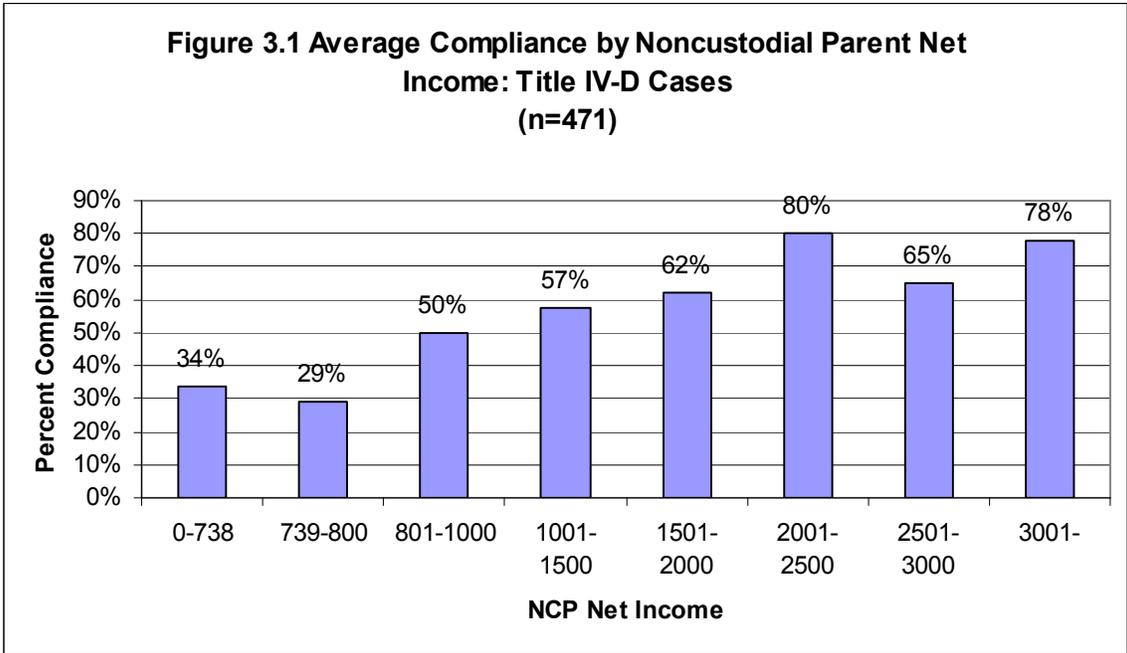
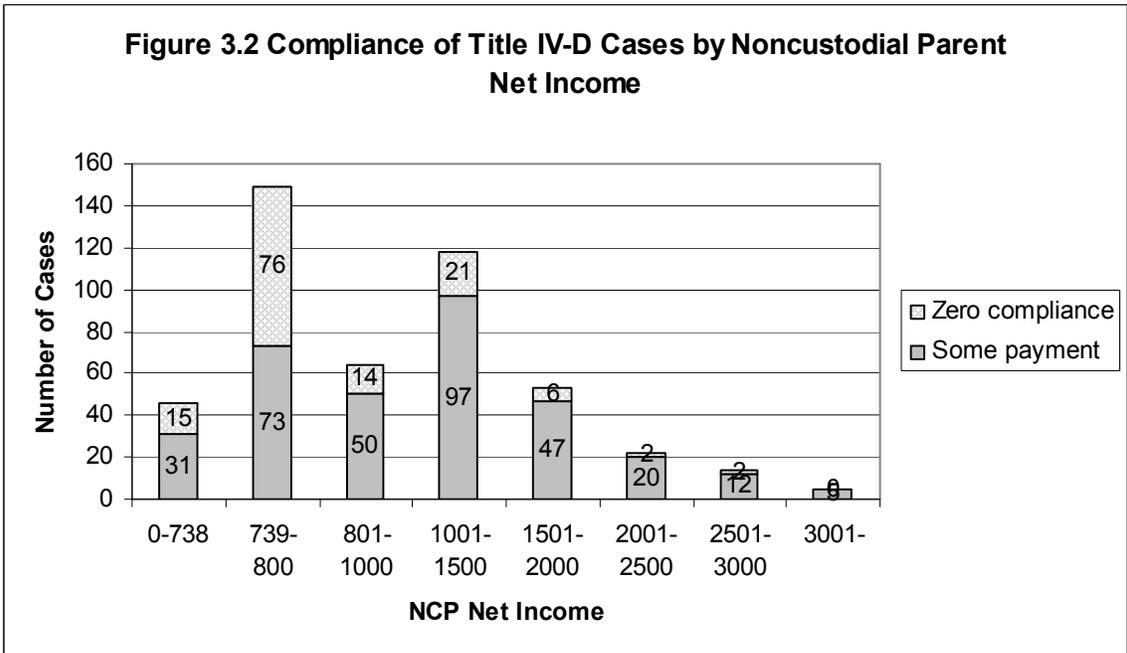


Figure 3.2 shows that over 50% of noncustodial parents with incomes between \$739 and \$800 pay no child support. Non-payment is more likely among low-income parents than among higher income parents, and if child support obligations are unreasonably high relative to the income of the noncustodial parent, then the child support guidelines themselves are contributing to the low compliance rates among low-income parents.



### ***Current Treatment of Low-Income Parents in Florida***

To ensure that low-income noncustodial parents retain sufficient income after payment of child support to maintain a minimum standard of living, Florida's guidelines incorporate a self-support reserve based on the 1992 single-person poverty guideline.<sup>23</sup> If the combined income of the parents is less than \$650, the schedule of child support obligations does not apply. Instead, "the [noncustodial] parent should be ordered to pay a child support amount, determined on a case-by-case basis, to establish the principle of payment and lay the basis for increased orders should the parent's income increase in the future."<sup>24</sup>

If the combined income of the parents is at least \$650, the child support obligation calculated using the income shares methodology is phased in. Over the phase-in income range, the basic child support obligation for one child equals 90 percent of the difference between the parents' combined monthly net income and the 1992 single-person federal poverty guideline. The percentage increases with the number of children, reaching 95 percent for six children. The upper limit of the phase-in range is \$800 for one child, \$950 for two children, and extends to \$1500 for six children.

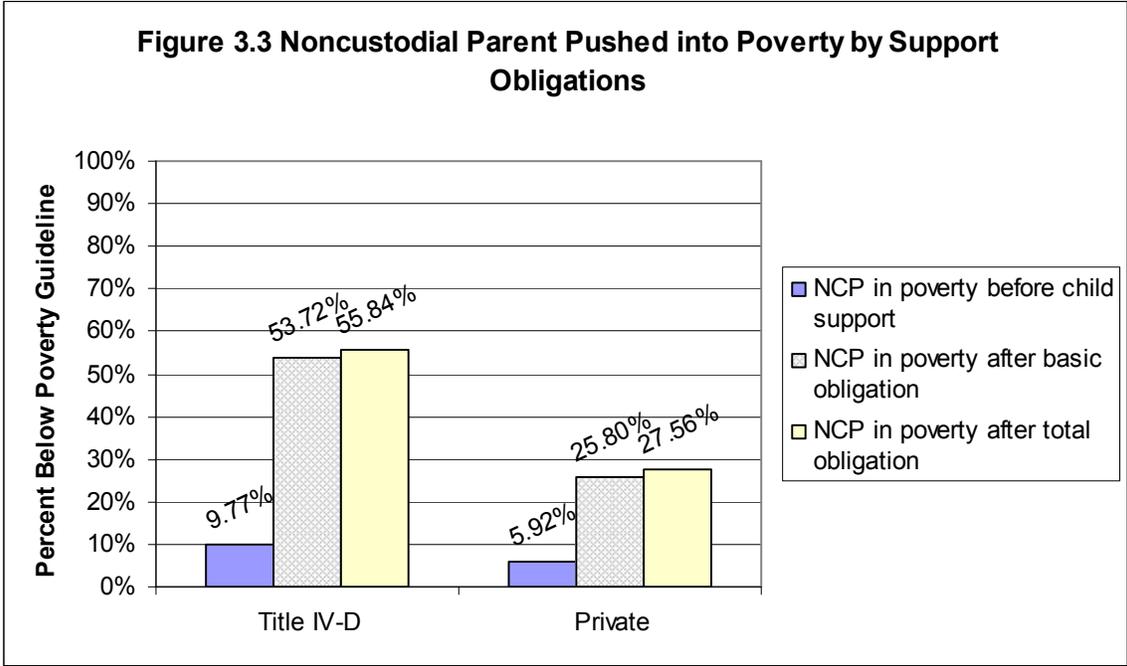
To illustrate, suppose a low-income noncustodial parent's income increases by \$100. Instead of the parent's child support obligation increasing by 100 percent (the full \$100), the obligation for one child increases by 90 percent, or \$90. Use of a 90 percent rate instead of a 100 percent rate is intended to encourage parents to earn additional income.

The self-support reserve and the phase-in are ineffective at preventing child support from pushing parents into poverty because they apply to very few of Florida's child support cases. As Figure 3.3 shows, in 9.77 percent of the Title IV-D cases, the noncustodial parent's income is below the poverty guideline *before child support*. After the basic obligation but before any added expenses for childcare and health insurance, 53.72 percent are in poverty. The percentage in poverty rises to 55.84 percent after childcare and health insurance expenses are added. For the private cases, 5.92 percent are in poverty before child support, 25.80 percent are in poverty after the basic obligation but before any added expenses, and 27.56 percent are in poverty after the added expenses are included.

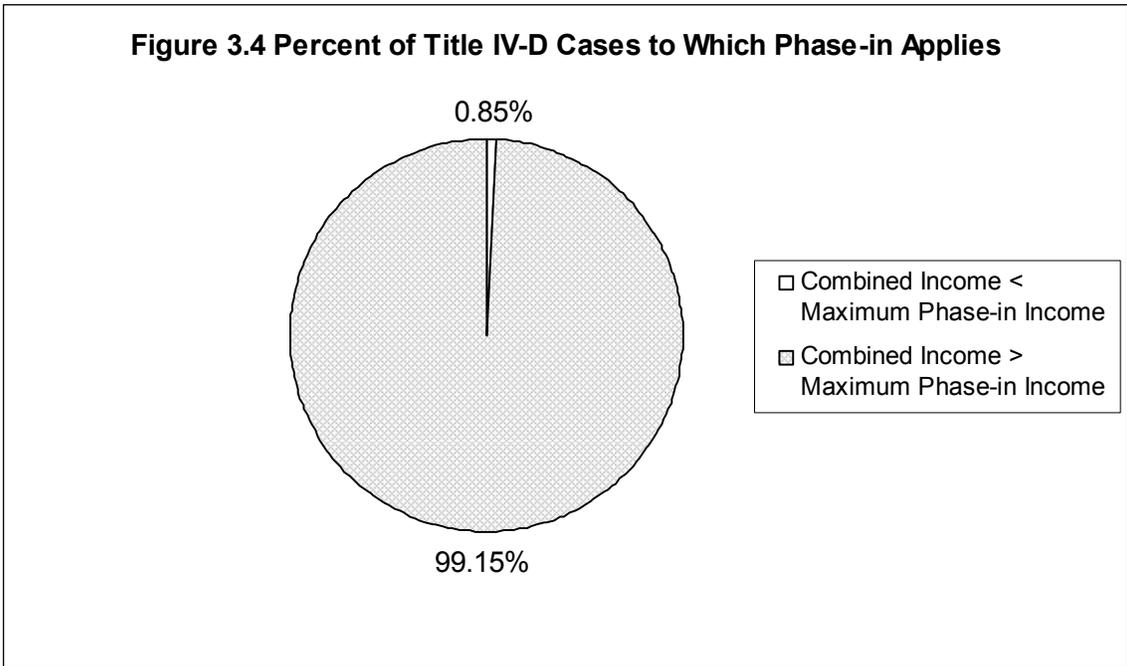
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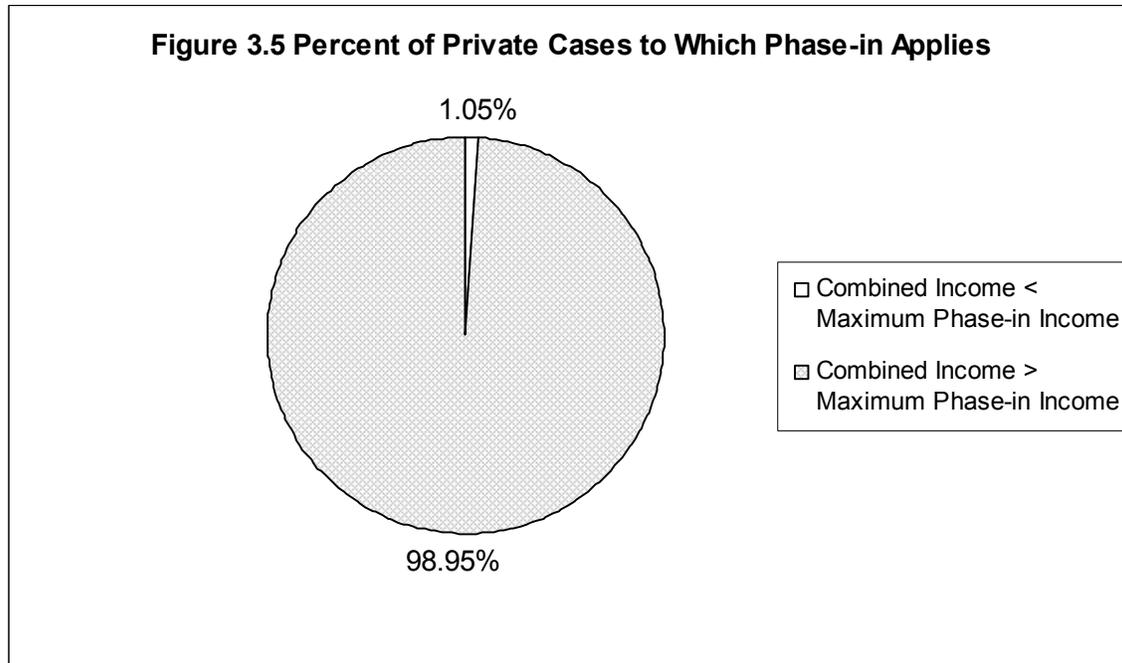
<sup>23</sup> The 1992 federal single-person poverty guideline is \$567.50.

<sup>24</sup> Many income shares states specify a \$50 minimum order. In Florida, no minimum amount is specified; however, the schedule was constructed in a manner that suggests that a \$50 minimum order was contemplated. Adding \$50 to the 1992 poverty guideline yields \$617.50. The nearest \$50 multiple above that is \$650 and hence this is where Florida's current schedule of basic child support obligations begins.



Figures 3.4 and 3.5 show the proportion of cases in the subsample where the self-support reserve applies.





***Use of Combined Income with the Single-Person Poverty Guideline***

The use of combined income to determine the basic child support obligation is inconsistent with a self-support reserve and phase-in based on the *single-person* poverty guideline. The self-support reserve and phase-in are often rendered inoperable when combined income is used even though in fact the noncustodial parent’s income is near, at, or below the poverty guideline.

Suppose both parents have actual monthly net incomes of \$400. Individually, each parent’s income falls below the 1992 single-person poverty guideline of \$567.50. However, their combined income is above the phase-in range for parents with one child. The basic child support obligation is \$190. The noncustodial parent’s share is \$95 even though the parent is in poverty. But suppose instead that the custodial parent has no income. Then, combined income, which determines the basic obligation, is below the self-support reserve and the determination of a child support obligation is left to the discretion of the court. Even though the noncustodial parent’s income is the same in these two situations, the child support payment is quite different.

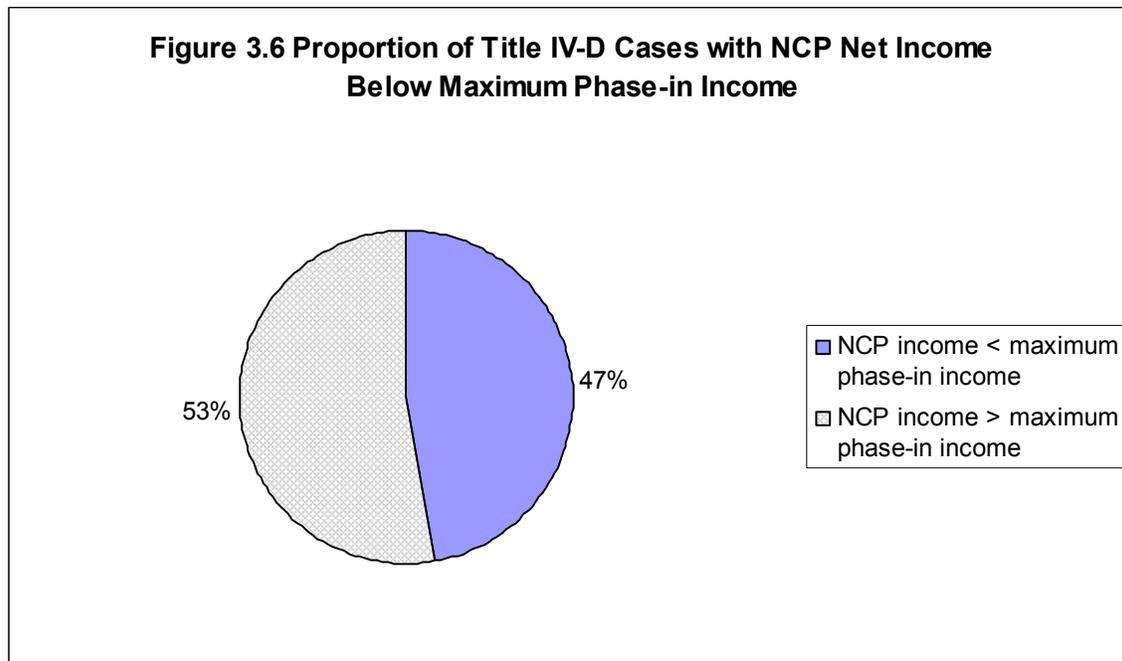
Next, suppose the noncustodial parent’s income is \$650 and the custodial parent’s income is \$150. The noncustodial parent’s income is above the poverty guideline but within the phase-in range. The combined income, however, is once again above the phase-in range. Thus, the basic child support obligation is \$190 of which the noncustodial parent’s share is \$154.38. After payment of child support, the noncustodial parent retains income of \$495.62, which is less than the poverty guideline. But if the custodial parent had no income, combined income would be within the phase-in range, the noncustodial parent’s child support obligation would be \$74, and the noncustodial parent would retain \$576 after payment of child support. The phase-in in this situation keeps the noncustodial

parent just above the poverty guideline. In both situations, *the noncustodial parent's support obligation is larger if the custodial parent has income than if the custodial parent has no income.*

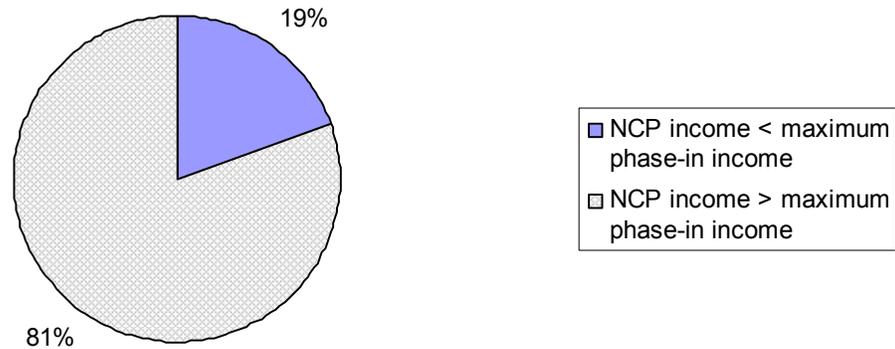
These examples illustrate another anomaly arising from the use of combined income, that increases in the *custodial* parent's income can increase the *noncustodial* parent's child support payment even though the noncustodial parent's income has not changed. Suppose the combined income of the parents is \$650, the noncustodial parent's income is \$150, and that of the custodial parent is \$500. The basic child support obligation is again \$74, of which, the noncustodial parent's share is \$17. If the custodial parent's income increases to \$600, the basic support obligation increases to \$164, and the noncustodial parent's share almost doubles to \$33.

This anomaly arises only when combined income is within the phase-in range. Therefore, it affects only noncustodial parents with incomes close to or below the poverty guideline. For parents whose combined income is above the phase-in range, an increase in the custodial parent's income always decreases the noncustodial parent's child support payment.

Figures 3.6 and 3.7 show the proportion of cases in which the noncustodial parent's income is below the upper limit of the phase-in range. Thus, in 47 percent of the Title IV-D cases and 19 percent of the private cases, the noncustodial parent would benefit if combined income were *not* used.



**Figure 3.7 Proportion of Private Cases with NCP Net Income Below Maximum Phase-in Income**



*Alternatives to the Use of Combined Income*

Some states such as Arizona apply the self-support reserve to the noncustodial parent's income alone rather than to the parents' combined income. North Carolina, Pennsylvania, South Carolina, and South Dakota apply both the self-support reserve and the phase-in to the noncustodial parent's income alone.

North Carolina's schedule of child support obligations over the relevant income range is shown in Table 3.2. Outside the shaded area, the basic obligation is computed using the combined incomes of both parents. However, if the noncustodial parent has low income and falls within the shaded area, the basic child support obligation is computed using only the noncustodial parent's income and childcare and health insurance expenses are not added to the basic obligation. This approach prevents a child support obligation based on combined income from pushing a low-income noncustodial parent into poverty.

<b>Table 3.2 North Carolina Schedule of Basic Support Obligations</b>						
<b>Combined Gross Monthly Income</b>	<b>One Child</b>	<b>Two Children</b>	<b>Three Children</b>	<b>Four Children</b>	<b>Five Children</b>	<b>Six Children</b>
800	50	50	50	50	50	50
850	50	50	50	50	50	50
900	57	58	59	59	60	61
950	92	93	94	95	96	97
1000	126	127	129	130	132	133
1050	160	162	164	166	168	169
1100	195	197	199	201	203	206
1150	229	232	234	237	239	242
1200	264	266	269	272	275	278
1250	275	300	303	306	309	313
1300	284	332	336	339	343	347
1350	293	364	368	372	376	380
1400	303	397	401	406	410	414
1450	312	429	434	439	444	448
1500	321	453	467	472	477	482
1550	330	466	500	505	511	516
1600	339	478	533	538	544	550
1650	348	491	565	572	578	584
1700	357	504	584	605	611	618
1750	367	517	599	638	645	652
1800	376	530	614	671	678	685
1850	384	541	626	698	711	719
1900	392	552	639	712	744	752
1950	400	563	652	726	777	785
2000	408	574	664	741	810	819
2050	416	585	677	755	830	852
2100	425	596	689	769	845	886
2150	433	607	702	783	861	919

*Recommendation on the Use of Combined Income*

- Apply the self-support reserve and the phase-in to the noncustodial parent’s income alone.

This eliminates the inconsistency in using combined income with the single-person poverty guideline. It also avoids a situation in which income earned by the

custodial parent increases the noncustodial parent’s child support payment, which could push the noncustodial parent into poverty.

***Imputation of Income***

Most states impute income when the parent is unemployed or income is unknown. The reasons for imputation are to reduce or eliminate incentives for parents to (1) hide income, (2) seek employment in the underground economy, (3) avoid employment or seek part-time employment instead of full-time employment, and (4) fail to provide relevant information or appear in court.<sup>25</sup>

Income on a monthly basis shall be imputed to an unemployed or underemployed parent when such employment or underemployment is found to be voluntary on that parent’s part, absent physical or mental incapacity or other circumstances over which the parent has no control. In the event of such voluntary unemployment or underemployment, the employment potential and probable earnings level of the parent shall be determined based upon his or her recent work history, occupational qualifications, and prevailing earnings level in the community. . . .<sup>26</sup>

When income is imputed to either or both parents, the combined income of the parents is most likely above the self-support reserve, and possibly even above the phase-in range, no matter what the actual incomes are. The following example shows the effect of imputing income at minimum wage for full-time work to a noncustodial parent:

Actual Income	\$0
Monthly Income Imputed at Minimum Wage for Full-Time Work <sup>27</sup>	\$893
Deductions	-\$135
Monthly Net Income	\$758
<i>Basic Support Obligation</i> <sup>28</sup>	\$164

The combined monthly net income of the parents, all of which is imputed, exceeds the self-support reserve and is near the top of the phase-in range. As a result, a noncustodial parent with no actual income could be assessed \$164 per month in child support for one child. Imputation of income can easily result in a child support obligation that exceeds the parent’s actual monthly income.

The example assumes the parent has no actual income. In fact, when income is imputed based on full-time, year-round work, the problem can arise even if the parent has income from part-time or seasonal employment, which is common among low-income workers.

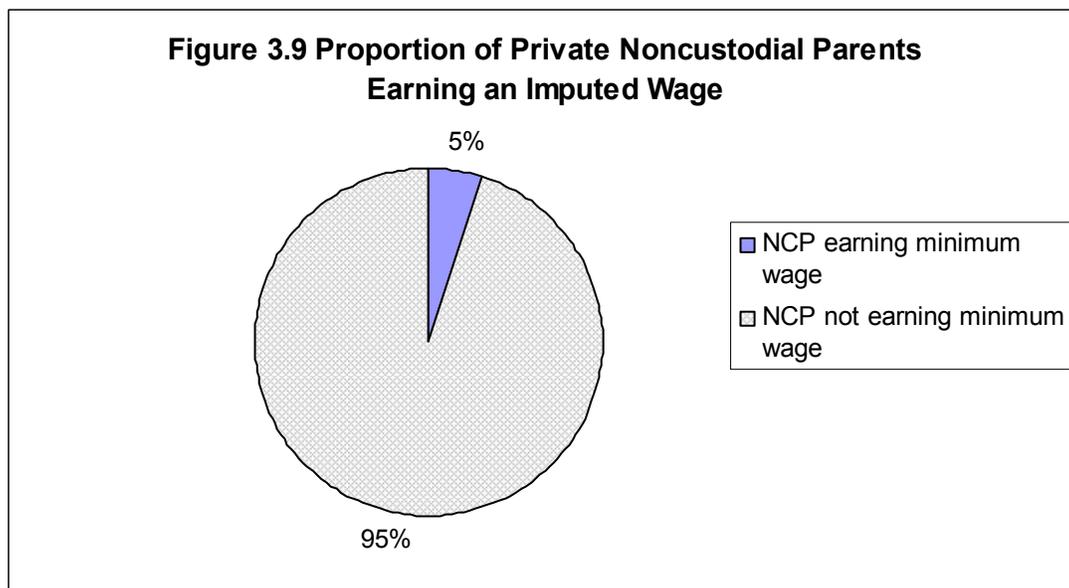
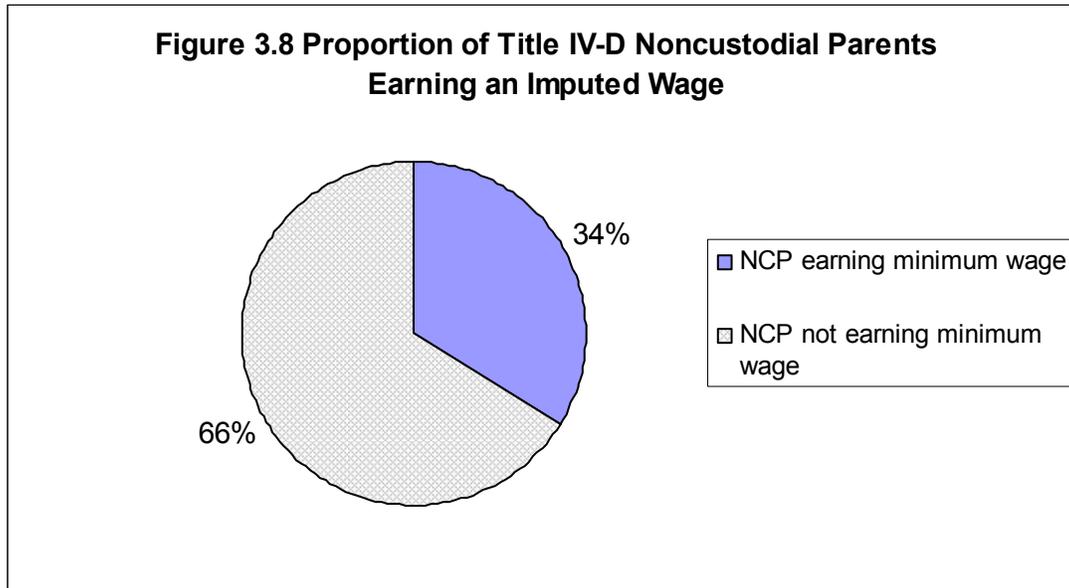
<sup>25</sup> Paul Legler, “Low-Income Fathers and Child Support: Starting Off on the Right Track”, Denver: Policy Studies, Inc., (2003), p. 23.

<sup>26</sup> Florida Child Support Guidelines, Statute 61.30

<sup>27</sup> (\$5.15/hour for 4.33 weeks)

<sup>28</sup> The basic obligation assumes that the custodial parent has no income.

Figures 3.8 and 3.9 show the percentage of cases in the subsample where income has most likely been imputed. Only one percent of U.S. workers earn the minimum wage,<sup>29</sup> but 34 percent of the Title IV-D cases and 5 percent of the private cases in the subsample have full-time minimum wage incomes. This suggests that in many of these cases income has been imputed.



<sup>29</sup> U.S. Census Bureau *Statistical Abstract of the United States*, (2002), Table 617 from: <http://www.census.gov/prod/2003pubs/02statab/labor.pdf>

### *Alternatives to Imputing Income*

If actual income instead of imputed income were used, the self-support reserve and the phase-in would apply to many more low-income parents. Evidence also indicates that compliance with child support orders is systematically lower in cases where income is imputed.<sup>30</sup> If imputing income reduces compliance, the custodial parent and the child might gain from a lower support order that is more closely related to actual income.

A central question for states is whether guidelines should be adjusted to lower the expectations for low-income noncustodial parents. This is a difficult and often hotly debated policy decision because the needs of children, often living below poverty, must be balanced with the ability of noncustodial parents—many of whom are poor themselves—to pay support. In setting guidelines, states are making a political decision that attempts to balance these different interests. There is no single, clear answer to this dilemma, but states reviewing their guidelines need to be sensitive to these issues and understand that it does little good to set child support awards that low-income noncustodial parents cannot pay. This only increases arrearages, creates resentment against the child support system, and puts the child support agency in the unproductive role of trying to collect money where none exists.<sup>31</sup>

Though it does not seem that any states have adopted policies or revised their guidelines to reduce reliance on imputation, concern has been expressed over this issue. Where the reason for imputing income is the absence of information on actual income, Paul Legler recommends reserving orders or setting zero orders initially, with review of the case after 30, 60, or 90 days. He also proposes expanding the use of automated location sources for income information.<sup>32</sup> Where the reason is to mitigate any possible work disincentives that child support may create, the discretionary authority vested in the courts allows the court to tailor the child support award to the particular circumstances of the case.

### *Recommendation on Imputing Income*

- Reduce reliance on imputed income. Expand the number of sources from which information on actual income is obtained and limit imputation of incomes to those cases where one of the parties does not appear and no information is available from any other source.

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<sup>30</sup> Office of the Inspector General, *The Establishment of Child Support Orders for Low-Income Noncustodial Parents*. #OEI-05-99-00390. Washington, D.C.: U.S. Department of Health and Human Services (2000).

<sup>31</sup> Paul Legler, “Low-Income Fathers and Child Support: Starting Off on the Right Track”, Denver: Policy Studies, Inc., (2003), p. 13.

<sup>32</sup> Legler, p. 25.

Wherever possible, actual income should be used. Limiting the use of imputed income increases the number of low-income parents who benefit from the self-support reserve and the phase-in. It would also reduce the number of cases where the child support payment pushes parents into poverty. Finally, limiting the use of imputed incomes increases the likelihood of compliance with the child support order by noncustodial parents.

### ***Application of the Self-Support Reserve and Phase-in to the Basic Child Support Obligation Only***

If the custodial parent has no income, the self-support reserve and the phase-in apply in full to the noncustodial parent, but they apply only to the basic obligation, not the total obligation. After childcare and health insurance are added, the total child support payment may be large enough to push the noncustodial parent into poverty despite the existence of the self-support reserve and the phase-in.

Suppose the noncustodial parent has monthly net income of \$650 and the custodial parent has no income. The self-support reserve and phase-in limit the basic child support obligation for one child to \$74 so that the noncustodial parent retains enough income, \$576, to remain above the poverty guideline. The total child support payment, however, is the \$74 basic obligation plus the noncustodial parent's share of childcare and health insurance expenses. Once these expenses are added to the basic obligation, the noncustodial parent's retained income is below the poverty guideline. In many cases, childcare and health insurance expenses are substantial. Of those parents that pay additional childcare and health insurance expenses, the average Title IV-D noncustodial parent pays \$88 and the average private noncustodial parent pays \$129.

### ***Alternatives to Applying the Self-Support Reserve to the Basic Obligation Only***

In some states, (Arizona, New Jersey, Vermont, and West Virginia, for example), the self-support reserve is applied to the total child support payment after the addition of childcare and extraordinary medical expenses. New Jersey applies its self-support reserve in the child support worksheet, which is similar to Florida's worksheet, rather than in the schedule of basic support obligations. The worksheet includes an additional final step, not included in Florida's worksheet, in which both the noncustodial parent's income and the custodial parent's income are compared to 105 percent of the poverty guideline. If the noncustodial parent's income is less than 105 percent of the poverty guideline and the custodial parent's income is greater than 105 percent of the poverty guideline, the difference between the noncustodial parent's income and 105 percent of the poverty guideline becomes the child support order amount.

### ***Recommendation on Application of the Self-Support Reserve and Phase-in***

- Apply the self-support reserve to the total child support payment rather than to the basic support obligation only.

If the objective is to prevent child support from pushing parents into poverty, it is the total support payment, not just the basic obligation that matters. If this recommendation is implemented, it is not necessary to include a low-income provision in the schedule of basic obligations. The child support schedule would specify a child support obligation for each income from zero to a maximum. The self-support reserve and phase-in would be included in the child support worksheet and not in the schedule of basic obligations. Appendix 3-1 contains a modified version of Florida's current worksheet to show how this recommendation could be implemented.

### ***Updating the Schedule of Child Support Obligations for Changes in the Poverty Guideline***

The self-support reserve and phase-in were included in the child support guidelines to ensure that noncustodial parents retain sufficient income after payment of child support to maintain a minimum standard of living, interpreted as the single-person federal poverty guideline. The guideline in 1992, when Florida's current child support obligation schedule was adopted, was \$567.50 per month. In 2002, the guideline was \$738.33. Failure to adjust or to index the child support schedule to reflect increases in the poverty guideline is another reason that the self-support reserve and phase-in are ineffective.

As a result, Florida's self-support reserve and most of the phase-in range are well below the current poverty guideline. Instead of preventing child support from pushing parents into poverty, the self-support reserve and the phase-in in Florida's current schedule affect only parents who are already in poverty.

The schedule proposed in Chapter 2 updates the self-support reserve from \$650 to \$800 to incorporate the 2002 single-person poverty guideline. Only five cases in the subsample have combined incomes between \$650 and \$800. They are the only cases that would be directly affected by this updating.<sup>33</sup> However, if the updating of the self-support reserve were combined with the earlier recommendation to apply the self-support reserve and the phase-in to the noncustodial parent's income only, many more cases would be affected. The subsample contains 195 cases where the noncustodial parent's income is between \$650 and \$800. All of these cases would benefit from an increase in the self-support reserve and the phase in range.

### ***Indexing the Self-Support Reserve and Phase-in***

Over time, as the poverty guideline increases, more and more parents are pushed into poverty by child support despite the self-support reserve and phase-in. The problem can be eliminated by regular updating of the schedule of basic support obligations to account for increases in the federal poverty guideline.

Michigan currently updates its child support annually to take into account both increases in the federal poverty guideline and changes in the Consumer Price Index.

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<sup>33</sup> But recall that in many low income cases, the reported combined income is imputed, not actual.

Montana and Nevada also update their guidelines annually, while Minnesota updates biannually.<sup>34</sup>

### *Recommendation on Updating the Schedule of Obligations*

- Adopt procedures for annual or biannual updating of the schedule of basic child support obligations to reflect changes in the single-person federal poverty guideline.

Provisions designed to prevent child support from pushing parents into poverty lose their applicability and effectiveness if the schedule is not regularly updated. The update does not change any of the underlying assumptions of Florida's child support guidelines. It is a technical adjustment only, designed to index the schedule to the federal poverty guideline and to adjust for the effects of inflation.

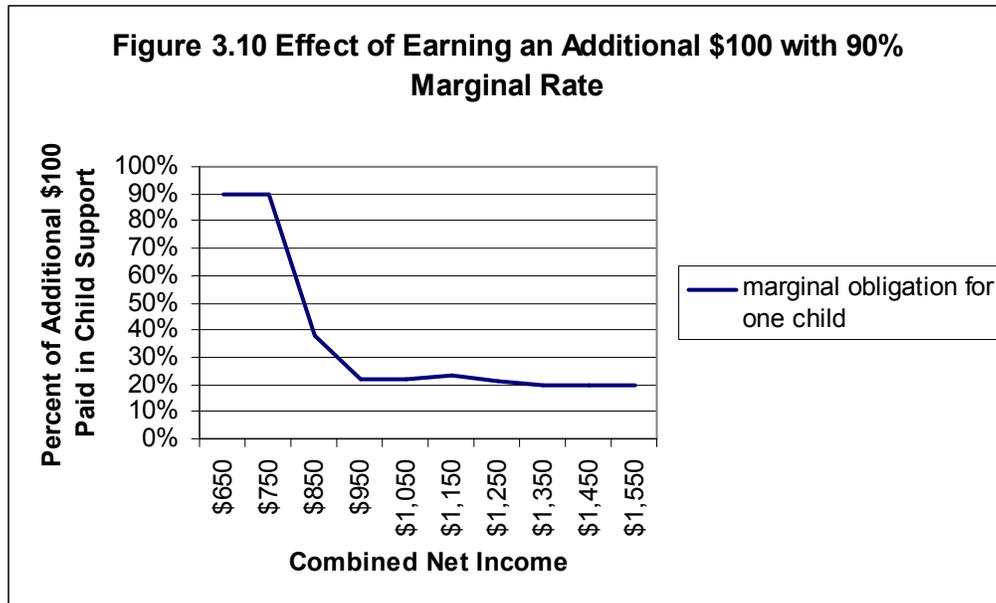
### *Regressivity of the Schedule of Child Support Obligations*

In the current schedule, the child support obligation increases over the phase-in income range until it equals the full child support obligation derived from the estimated expenditures on children. The *marginal rate* at which the obligation is phased in is less than 100 percent in order to encourage parents to earn additional income.

The *marginal rate* is the percentage increase in the basic child support obligation when income increases. Marginal rates in the current schedule decline from a high of 90-95 percent, depending on the number of children, for parents with incomes just above the 1992 poverty guideline (but below the 2002 poverty guideline) to a low of about five percent for the highest income parents. Figure 3.10 shows the marginal rates of child support for one child at different incomes.

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<sup>34</sup> Jane C. Venohr and Tracy E. Griffith, *Report on the Michigan Child Support Formula*, Denver, CO: Policy Studies Incorporated, April 12, 2002.



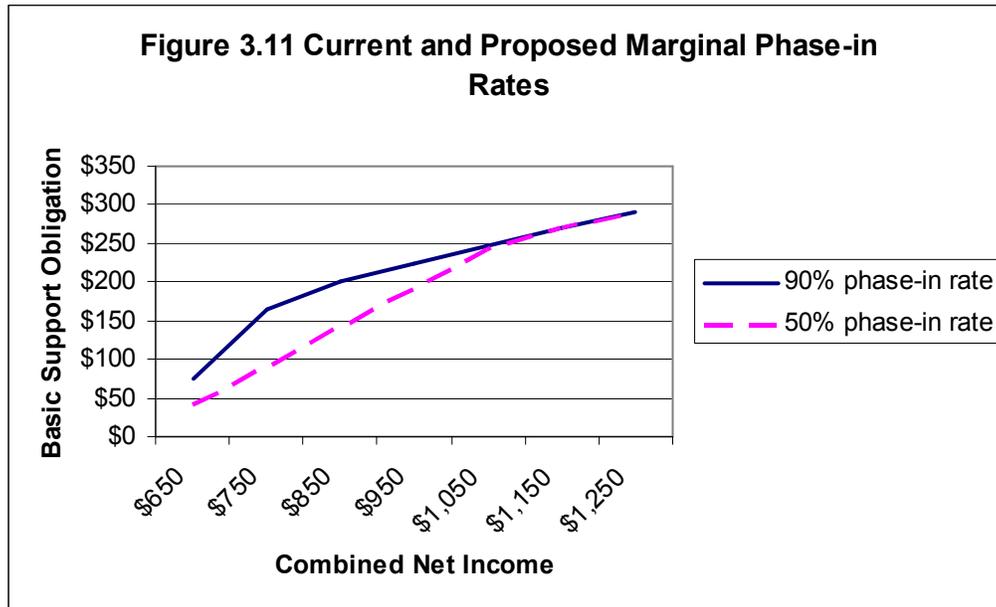
Suppose a noncustodial parent with one child has income of \$650. If the parent’s monthly net income increases by \$100, the parent pays an additional \$90 in child support and retains only \$10 of the additional income. But another parent with one child whose monthly net income is \$800 pays only an additional \$23 in child support and retains \$77 of the extra income. The child support schedule thus imposes a higher marginal “tax” on a parent near the poverty guideline than it does on a parent with a higher income. Not only may this be perceived as inequitable, but it also discourages low-income parents from earning additional income.

At minimum wage, a \$100 increase in income represents about 21 hours a month of additional work. If the parent retains only \$10 of the \$100 additional income, that is equivalent to an hourly net wage of less than \$0.50. For a noncustodial parent with six children, the equivalent hourly net wage is less than \$0.25. These marginal rates of 90-95 percent are unlikely to provide significantly better work incentives among low-income parents than a rate of 100 percent.

*Alternative Marginal Rates of Child Support*

Reducing the percentage of additional income that is required for child support over the phase-in range of incomes increases the incentive to earn additional income. It also reduces the regressivity of the child support schedule. South Dakota’s schedule, for example, increases basic child support by 50 percent of any increase in the noncustodial parent’s income over the phase-in range. Additional income is in effect shared equally between the noncustodial parent and the custodial parent’s household. Although it provides a smaller increase in child support to the custodial parent, it increases the likelihood that the noncustodial parent will earn additional income. It is even possible that the improvement in incentives can result in a larger actual child support payment.

Figure 3.11 compares the basic child support obligation for one child in Florida's current schedule with an alternative schedule using a lower marginal rate of child support over the phase-in range. The marginal rate in the current schedule is 90 percent and the phase-in range extends to \$800. The marginal rate in the alternative schedule is 50 percent and the phase-in range extends to \$1050.



*Recommendation on Marginal Rate of Child Support*

- Reduce the marginal child support rate over the phase-in range of incomes from the current 90-95 percent to some lower percentage such as 50 percent and make it independent of the number of children.

This recommendation applies whether the self-support reserve and the phase-in are included in the schedule of basic support obligations or are applied to the total child support payment inclusive of additional childcare and health insurance expenses. Reducing the marginal rate improves work incentives and reduces the regressivity of the schedule. If it encourages greater compliance and provides a greater incentive for the noncustodial parent to earn income, the actual child support payments received by custodial parents may increase even though the noncustodial parent's child support obligation is lower.

## Alternative Custody Arrangements

<b>Table 3.3 Overview of Visitation and Custody</b>		
<b>Issue/problem</b>	<b>Current treatment</b>	<b>Recommendations</b>
Extended Visitation	The child support payment is calculated by assuming that the custodial parent has 100% of visitation.	Eliminate the threshold that distinguishes extended visitation from shared custody.
Shared Custody	The noncustodial parent has to have at least 40% of the visitation before any provision is made.	Provide a credit against the child support payment for all levels of visitation or shared parenting by the noncustodial parent.
Split Custody	No special provision for split custody	<p>Include explicit treatment of split custody situations.</p> <p>Adopt the approach that calculates a separate child support obligation for each household.</p>
Visitation Schedule	Visitation and child support payment decisions are made separately for Title IV-D cases	<p>Establish a visitation schedule at the same time that child support is determined.</p> <p>Adopt a “typical” visitation schedule as a basis for calculating the noncustodial parent’s visitation percentage.</p> <p>Institute a pilot mediation program for Title IV-D cases.</p>

Florida’s schedule of child support obligations presumes that one parent has sole custody of the children and makes no provision for visitation with the noncustodial parent. The claim is sometimes made that the income shares methodology anticipates “normal” visitation rights for the noncustodial parent.<sup>35</sup> However, as noted in the New Jersey Child Support Guidelines,

The awards in the support schedules represent spending on children by intact families. In an intact family, the children reside in one household and no visitation is needed. This is similar to child support actions in which one parent has sole physical custody of a child and there is no visitation or shared-parenting.<sup>36</sup>

<sup>35</sup> For example, Pennsylvania’s child support guidelines state “The support schedule contemplates that the obligor has regular contact, including vacation time with his or her children...”

<sup>36</sup> New Jersey Child Support Guidelines, Rule 5:6A, “Visitation and Shared Parenting.”

Even though the income shares methodology does not address shared or split custody, many income shares states adjust child support payments to accommodate these arrangements. The applicability of these adjustments is usually based on physical custody, not legal custody. Shared parenting or shared custody refers to “...the regular sharing of residential custody on an equal or nearly equal basis.”<sup>37</sup> Split custody occurs “...when parents have two or more children and each parent has residential custody of one or more of the children.”<sup>38</sup>

Some states also distinguish between shared custody and extended visitation based on the amount or percentage of time spent with each parent. New Jersey, which has one of the more clearly defined approaches to alternative custody arrangements, defines visitation as “a level of parental participation in child-rearing that is *less than* the substantial equivalent of two or more overnights with the child each week.” On the other hand, shared parenting, as defined in the New Jersey guidelines, arises when the noncustodial parent “has or is expected to have the child for the substantial equivalent of two or more overnights per week over a year or more (at least 28% of the time) and the [noncustodial parent] can show that *separate living accommodations for the child* are provided during such times....”<sup>39</sup>

Evidence suggests that greater involvement by the noncustodial parent is beneficial to the children and also increases the probability that the parent will comply with the child support order.<sup>40</sup> In any event, child support guidelines should not actively discourage alternative custody arrangements, but the current approach in most states does just that.<sup>41</sup> The treatment of visitation and custody in child support guidelines should:

- provide sufficient guidance to judges, hearing officers, and parents on how to handle alternative custody arrangements;
- ensure consistent treatment of families across the state;
- minimize disputes and litigation over custody arrangements;
- ensure that the guidelines are not themselves a source of disputes and litigation over custody arrangements; and
- not discourage parents from using alternative custody arrangements where they are appropriate.

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<sup>37</sup> Kansas Child Support Guidelines, Administrative Order 180, “Shared Residency Situations.”

<sup>38</sup> Kansas Child Support Guidelines, Administrative Order 180, “Divided Residency Situations.”

<sup>39</sup> New Jersey Child Support Guidelines, Rule 5:6A, “Adjustments for Visitation Time.”

<sup>40</sup> A review of case file data in Arizona, a state with a shared parenting adjustment, found that 91 percent of child support due was paid in cases where both the shared parenting time adjustment was applied and the noncustodial parent attended a parenting education class whereas only 57 percent was paid in cases where the shared parenting adjustment was not applied. Jane C. Venhor, *Arizona Child Support Guidelines: Findings from a Case File Review*, Paper to the Supreme Court, State of Arizona, Administrative Office of the Courts, Phoenix, Arizona (October 1999).

<sup>41</sup> In the subsample of Florida cases, there are only two instances of shared custody and one of split custody. However, the sample period precedes the 2001 adoption of the shared parenting provision in the Florida guidelines.

### ***Extended Visitation***

The child support guidelines in more than two-thirds of the states, including Florida, do not specifically include a separate adjustment for extended visitation. Florida's guidelines treat extended visitation as grounds for a deviation:

(11)(a) The court may adjust the minimum child support award, or either or both parents' share of the minimum child support award, based upon the following considerations:

The particular shared parental arrangement, such as where the child spends a significant amount of time, but less than 40 percent of the overnights, with the noncustodial parent, thereby reducing the financial expenditures incurred by the primary residential parent...<sup>42</sup>

In addition to potentially reducing the financial expenditures incurred by the custodial parent, a noncustodial parent who engages in visitation with the child incurs expenses on behalf of the child during the period of visitation. Some of these expenses (housing, for example) duplicate expenses incurred by the custodial parent. Since they are included in the child support payment, failure to recognize these duplicate expenses and adjust the support payment may discourage noncustodial parents from exercising visitation.

### ***Alternative Approaches to Extended Visitation***

In states that offer an extended visitation adjustment, the definition of extended visitation is usually based on some threshold and the adjustment is usually a percentage reduction in the child support order. However, even among these states, there is no consensus on the appropriate threshold or on the percentage adjustment. Table 3.4 shows the variation among selected states.

<b>State</b>	<b>Threshold</b>	<b>Reduction</b>
Alaska	More than 27 consecutive days	Up to 75%
Arkansas	More than 14 consecutive days	Up to 50%
Idaho	14 or more days <sup>43</sup>	50%
Indiana	7 or more days	Up to 50%
Missouri	36-72 days 73-91 days 92-109 days	6% 9% 10%
North Dakota	60 out of 90 consecutive nights or 164 nights annually	0.32 times the percent of nights spent
Michigan	6 consecutive nights	50% <i>retroactive</i>

<sup>42</sup> Florida Child Support Guidelines, Statute 61.30.

<sup>43</sup> Applies only if the child spends fewer than 25 percent of total overnights with the noncustodial parent.

New Jersey provides for a variable reduction in the basic support obligation for a noncustodial parent “...who participates in child-rearing responsibilities on a regular basis but for less than the substantial equivalent of two or more overnights per week.” New Jersey divides the costs of parenting into three categories:

1. Fixed costs are those incurred even when the child is not residing with the parent. Housing-related expenses (e.g., dwelling, utilities, household furnishings and household care items) are considered fixed costs.
2. Variable costs are incurred only when the child is with the parent (i.e., they follow the child). This category includes transportation and food.
3. Controlled costs are those over which the primary caretaker of the child has direct control. This category includes clothing, personal care, entertainment, and miscellaneous expenses.

For purposes of adjusting the child support payment for visitation, it is assumed that

1. fixed costs (e.g., housing-related expenses) for the child are not incurred by the noncustodial parent;
2. variable costs (e.g., food, transportation, and some entertainment) are incurred by the noncustodial parent and represent 37% of the total child-related expenditures.

The maximum credit allowed is the variable cost multiplied by the percentage of time the child spends with the noncustodial parent. For example, if the sole-parenting basic support award is \$100 and the child spends 20 percent of the time with the noncustodial parent, the maximum visitation credit is \$7.40, leaving an adjusted basic support payment of \$92.60.<sup>44</sup>

All states that allow an extended visitation adjustment use a threshold below which the adjustment is not applicable. The existence of a threshold means that small changes in visitation around the threshold can result in large changes in the child support payment. Disputes can arise between the parents over custody arrangements because of the financial impact of these small differences.

#### *Recommendations on Extended Visitation*

- Eliminate the threshold that distinguishes extended visitation from shared custody.

When visitation increases, the noncustodial parent bears duplicated costs. To encourage visitation and to compensate the noncustodial parent for the duplicated costs, eliminate the 40 percent shared parenting threshold. Eliminating the threshold would

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<sup>44</sup> Adjusted basic support award = basic award x variable cost percentage x extended visitation percentage  
= \$100 x 37% x 20% = \$7.40.

reduce visitation-based disputes and litigation. Appendix 3-2 proposes an alternative child support formula that encompasses any level of visitation or shared parenting. Appendix 3-3 provides a modified child support worksheet incorporating this formula.

### *Shared Custody*

When the noncustodial parent exercises visitation at least 40 percent of the overnights during the year, Florida's child support guidelines provide an adjustment to the child support award. A child support obligation is calculated for each parent assuming that parent is the noncustodial parent and the other parent is the custodial parent. The respective obligations are multiplied by 1.5 to account for the additional expenses of maintaining two homes for the child and weighted by the amount of visitation time with the other parent. The difference between the two parents' obligations, with an adjustment for each parent's share of childcare and health insurance expenses, is the amount paid by the parent with the higher obligation to the parent with the lower obligation.

This approach or a variation of it is common in states that use the income shares model. It has significant disadvantages. The threshold, whether it is 40 percent as in Florida or a lesser amount common in other states, creates a "cliff" effect that influences parental decisions about child custody and encourages disputes and litigation. If noncustodial parents incur costs at visitation levels less than 40 percent for which they receive no credit, they are discouraged from exercising visitation at this level. They are more likely to exercise either zero, for which they receive no credit but also incur no cost, or at least 40 percent for which they receive a credit.

The typical middle-income Title IV-D case constructed from the subsample of Florida cases has combined monthly net income of \$1871, noncustodial parent income of \$1010, and one child. The basic support obligation is \$410. If the child spends less than 40 percent of overnights (that is, anything from zero to 145 days) with the noncustodial parent, the noncustodial parent's share of the basic obligation is \$221. Beginning with the 146<sup>th</sup> overnight, the noncustodial parent's child share decreases to \$86 and continues to fall as the number of overnights increases. An increase of one overnight per year, from 145 to 146, *reduces the child support payment by over 60 percent*. The effect of the 40% visitation threshold on the child support obligations for all three typical IV-D cases is shown in Figure 3.12.

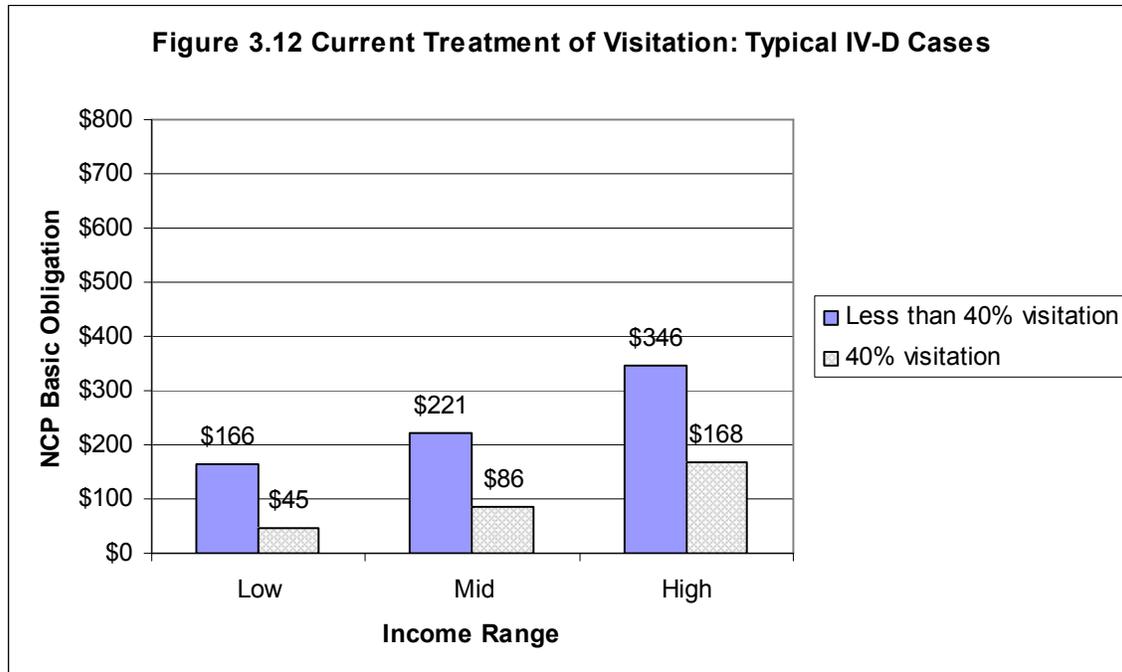
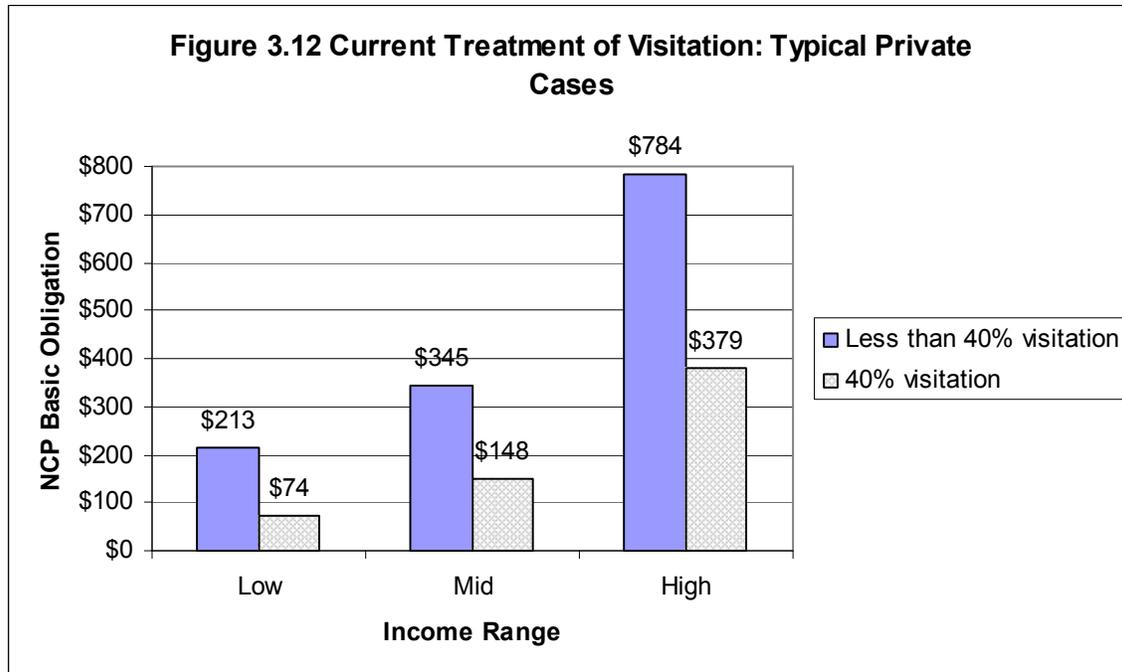


Figure 3.13 shows the same “cliff” effect for the three typical private cases. For example, the typical middle-income private case has combined monthly net income of \$2858, noncustodial parent income of \$1600, and one child. The basic support obligation is \$616. If the child spends less than 40 percent of overnights with the noncustodial parent, the noncustodial parent’s share of the support obligation is \$345. Beginning with the 146<sup>th</sup> overnight, the noncustodial parent’s share decreases to \$148. The increase of one overnight per year, from 145 to 146, reduces *the child support payment by over 57 percent*.



*Alternative Approaches to Shared Custody*

Several states have attempted to overcome the “cliff” effect by adopting a continuous or approximately continuous schedule for adjusting the basic child support obligation to reflect time spent with the noncustodial parent. These include

- a mathematical equation for determining child support payments
- a credit against the basic child support obligation based on the percent of visitation time
- separate credits for fixed and variable expenses associated with visitation.

Michigan and California use a mathematical equation to adjust for shared parenting. In California, all child support payments are determined from a single formula which includes a shared parenting adjustment. The formula is:

$$CS = K (HN - (H\%) (TN))$$

where

CS	=	child support amount
K	=	proportion of both parents’ income to be allocated for child support
HN	=	high earner’s net monthly disposable income
H%	=	approximate percentage of time that the high earner has or will have primary physical responsibility for the children compared to the other parent.
TN	=	total net monthly disposable income of both parties.

The noncustodial parent's child support payment decreases as the percentage of time the child spends with the noncustodial parent increases. When more than one child is involved, the child support amount is increased by a multiplicative factor that ranges from 1.6 for two children to 2.86 for ten children.<sup>45</sup>

Iowa allows a 25 percent credit for 128-147 days of visitation, 30 percent for 148-166 days, and 35 percent for 167 or more days. In Pennsylvania, if the child spends more than 40 percent of the year with the noncustodial parent, the child support payment is reduced by an amount equal to the excess of the time spent over 30 percent.<sup>46</sup> Utah's credit is calculated as a *per diem* rate of .0027 for each day between 110 and 131 and .0084 for each day in excess of 130. Wisconsin, a percent-of-obligor state, provides credits according to a detailed schedule.

All of these states impose a threshold requirement before the noncustodial parent is eligible for the credit. Arizona, on the other hand, provides a credit that increases over the full range of visitation.<sup>47</sup> Arizona's credit begins at 1.2 percent of the basic support obligation for 4-20 parenting time days and extends up to 48.6 percent for 173-182 parenting time days, defined as 12 consecutive hours or an overnight. Oregon has adopted a modified version of the Arizona schedule that includes a 20 percent threshold.

In New Jersey, shared parenting provides a credit for fixed expenses as well as for the variable expenses allowed in extended visitation cases. The fixed expenses are assumed to be 38 percent of the basic support obligation and the variable expenses are assumed, as in extended visitation cases, to be 37 percent of the basic support obligation. The adjustment applies whenever the noncustodial parent exercises visitation for more than the substantial equivalent of two or more overnights per week.

#### *Recommendations on Shared Custody*

- Provide a credit against the child support payment for all levels of visitation or shared parenting by the noncustodial parent.

An appropriate credit recognizes the duplicate expenses of maintaining two separate living accommodations for the child or children. Providing the noncustodial parent with a credit for these duplicate expenses encourages visitation and shared-parenting agreements, or at least the additional financial burden does not deter parents from adopting shared custody arrangements.

A credit that increases gradually with the level of visitation reduces the financial consequences of small changes in visitation. It is likely to encourage greater visitation

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<sup>45</sup> California Child Support Guidelines, California Family Code 4055.

<sup>46</sup> 30 percent is considered to be normal visitation, which is presumably contemplated in the schedule of basic child support obligations. However, as previously noted, the methodology used to derive the support obligations in the income shares approach does not in fact allow for any visitation at all.

<sup>47</sup> Visitation less than 1% (0-3 days) does not qualify for a credit. However, any visitation in excess of 3 days qualifies for a credit.

and creates more opportunity for compromise between contending parties. The modified formula in Appendix 3-2 and the accompanying worksheet in Appendix 3-3 apply to all levels of visitation or custody.

### *Split Custody*

Florida's child support guidelines, like those in about 25 percent of the states, make no separate provision for split custody, in which the parents have two or more children and each parent has custody of at least one child. Failure to make explicit provision likely discourages the use of this arrangement, increases disputes and litigation, and opens the door to disparities in the treatment of otherwise similar families in different judicial districts.

### *Alternative Approaches to Split Custody*

States in which child support guidelines specifically address split custody take one of two approaches. Some states calculate a child support obligation for all the children together and prorate it among them to yield a separate support obligation for each child. Other states calculate a support obligation for each household based on the number of children in the household.

Obligation for Each Child: Each parent's total support obligation is the support obligation per child multiplied by the parent's share of the combined income and by the number of children in the other household. The difference between the two parents' obligations is the amount paid by the parent with the higher obligation to the parent with the lower obligation.

Utah and Wyoming use this approach. The relevant provision from Utah's guidelines states:

In cases of split custody, the base child support award shall be determined as follows:

(1) Combine the adjusted gross incomes of the parents and determine the base combined child support obligation using the base combined child support obligation table. Allocate a portion of the calculated amount between the parents in proportion to the number of children for whom each parent has physical custody. The amounts so calculated are a tentative base child support obligation due each parent from the other parent for support of the child or children for whom each parent has physical custody.

(2) Multiply the tentative base child support obligation due each parent by the percentage that the other parent's adjusted gross income bears to the total combined adjusted gross income of both parents.

(3) Subtract the lesser amount in Subsection (2) from the larger amount to determine the base child support award to be paid by the parent with the greater financial obligation.

Wyoming’s approach is slightly different but with the same result:

When each parent has physical custody of at least one (1) of the children, a joint presumptive support obligation for all of the children shall be determined by use of the tables. The joint presumptive support amount shall be divided by the number of children to determine the presumptive support obligation for each child, which amount shall then be allocated to each parent based upon the number of those children in the physical custody of that parent. That sum shall be multiplied by the percentage that the other parent's net income bears to the total net income of both parents. The obligations so determined shall then be offset, with the parent owing the larger amount paying the difference between the two (2) amounts to the other parent as a net child support obligation.

Table 3.5 illustrates the application of this approach to the typical middle-income Title IV-D family in Florida. Parent A has net monthly income of \$1010. Parent B has income of \$861. Suppose the parents have three children, one residing with Parent A and two with Parent B.

<b>Table 3.5 Split Custody Payments</b>			
	<b>Parent A</b>	<b>Parent B</b>	
Parent’s Income	\$1010	\$871	\$1871
Parent’s Share of Combined Income	54%	46%	100%
Basic Child Support Obligation			\$798
Support Obligation per Child			\$266
Parent’s Share of Support Obligation per Child	\$144	\$122	
Number of Children in Other Parent’s Custody	2	1	
Parent’s Total Obligation	\$288	\$122	
Child Support Payment	\$166	\$0	

Obligation for Each Household: The second approach determines a support obligation for each household based on the number of children residing in the household. Each household’s support obligation is then prorated between the parents in proportion to their respective shares of the combined income. The parent with the higher obligation pays the difference to the parent with the lower obligation.

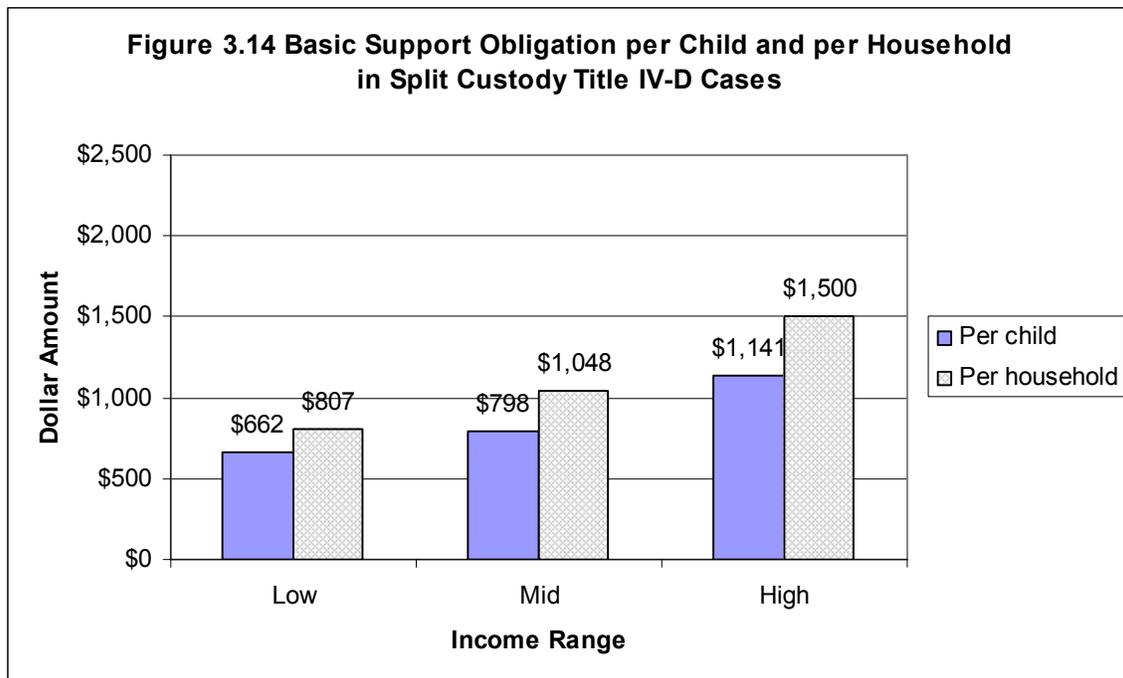
Examples of states using the household approach are Kansas and West Virginia. The West Virginia guidelines state:

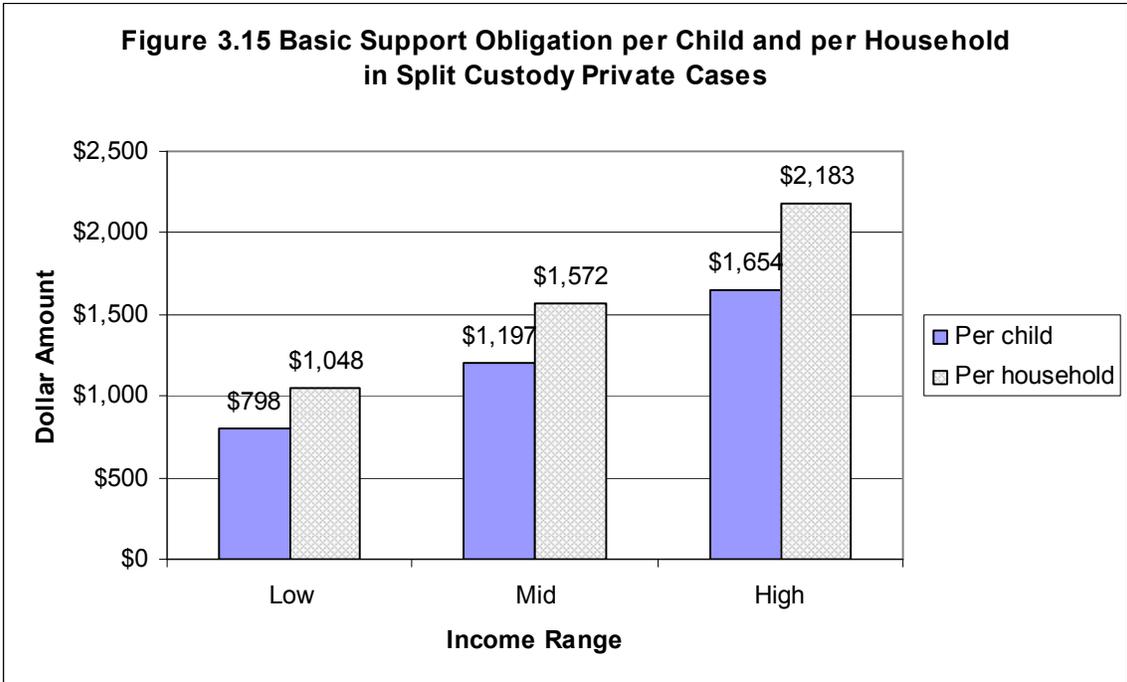
In cases with split physical custody, the court shall...calculate a separate child support order for each parent based on the number of children in that parent's custody. Instead of transferring the calculated orders between parents, the two orders are offset. The difference of the two orders is the child support order to be paid by the parent with the higher sole-parenting order.

Table 3.6 illustrates the application of this approach to the typical middle-income Title IV-D case in Florida.

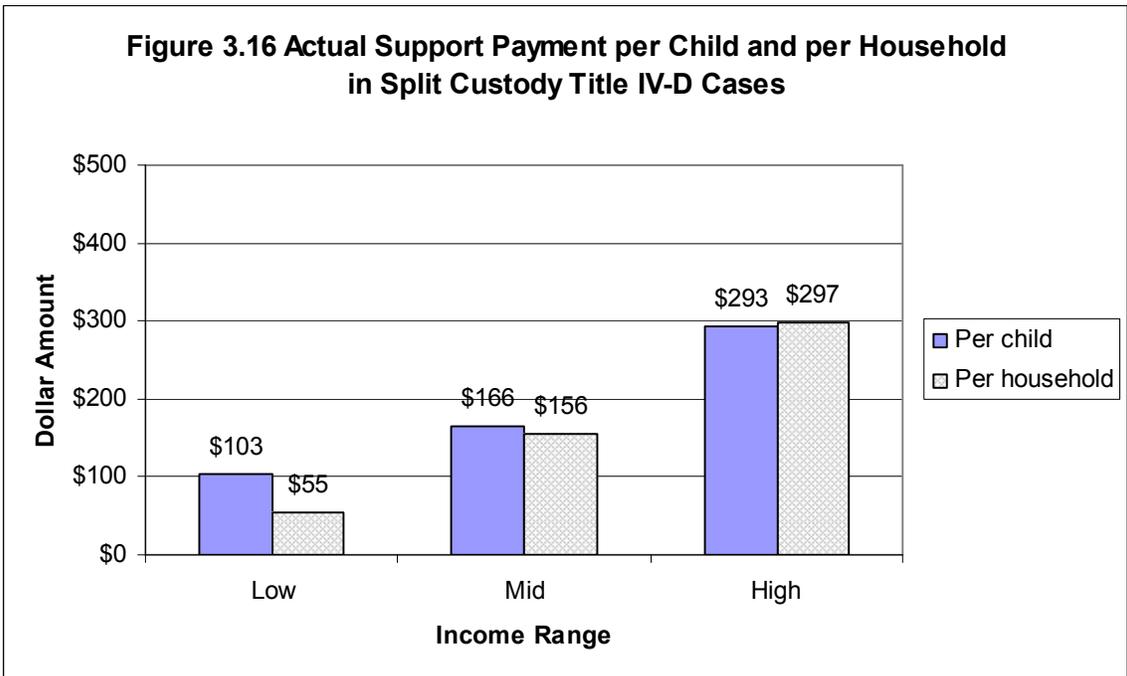
<b>Table 3.6 Split Custody Payments in Florida</b>			
	<b>Parent A</b>	<b>Parent B</b>	
Parent's Income	\$1010	\$871	\$1871
Parent's Share of Combined Income	54%	46%	100%
Number of Children in Parent's Custody	1	2	3
Basic Child Support Obligation for Children Residing in Household	\$410	\$638	\$1048
Parent's Share of Support Obligation for Children Residing in Other Household	\$345	\$189	
Child Support Payment	\$156	\$0	

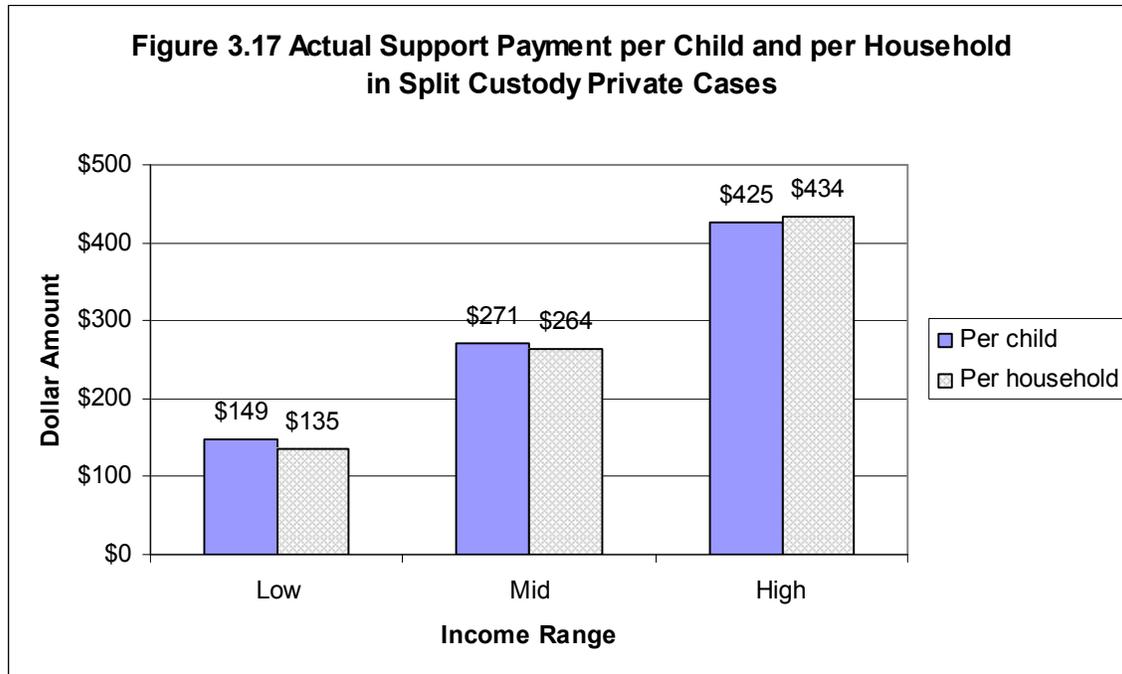
Figures 3.14 and 3.15 compare the basic support obligation and the final child support payment for all of the typical cases using both the per child and the per household methods.





The split custody adjustment is always larger when it is calculated separately for each household because expenditures for a second child are assumed to be less than those for the first child, and expenditures for a third child are less than those for the second child. Thus, the total obligation for all three of a couple's children together is smaller than the combined obligations for one child in one household plus two children in the other household.





While the basic obligation is always larger when it is calculated separately for each household, the support payment does not follow a clear pattern. Sometimes it is larger when calculated for each household and sometimes smaller. In many cases, the difference in support payments is small.

#### *Recommendations on Split Custody*

- Include explicit treatment of split custody.

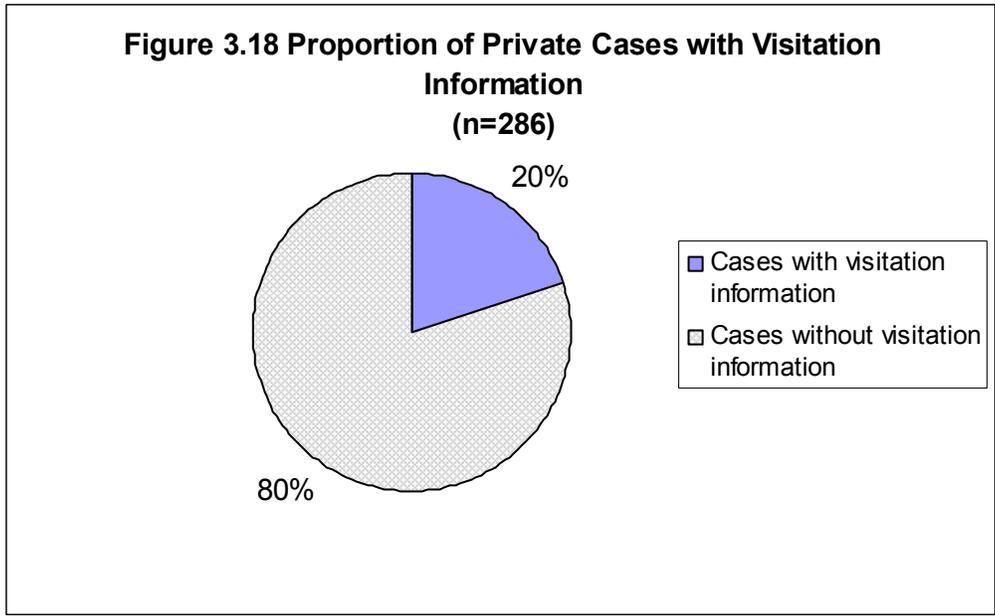
Including an explicit provision for split custody provides guidance to judges, hearing officers, and parents as to the appropriate handling of these cases. It also encourages greater uniformity of treatment of these cases across judicial districts, reduces the scope for disputes and litigation over custody, and does not discourage parents from adopting split custody arrangements.

- Adopt the approach that calculates a separate child support obligation for each household.

When children reside in different households, each household incurs some of the same expenses. A separate child support obligation calculated for all the children residing in each household takes these duplicate expenses into account. A child support obligation calculated for all the children and then prorated among them implicitly assumes that these expenses are in fact unduplicated and are incurred in only one household. By not recognizing the additional duplicated expenses for two households, a single obligation for all the children tends to discourage the use of split custody arrangements even where the parents might prefer it.

**Establishing Visitation Schedules**

Presently, most Title IV-D case processing only determines child support obligations without concurrently establishing visitation arrangements. Since visitation schedules for Title IV-D cases must be established separately, the Title IV-D cases in the subsample do not contain any reference to visitation even if these arrangements have been made. The visitation arrangements in most private cases are determined at the same time as the child support obligations, but, as Figure 3.18 shows, only 20% of the files contained some form of visitation schedule.



Even for cases with visitation information, the information or description is often vague and ambiguous. Table 3.7 provides more detail on these cases. Thirty-two cases follow a “liberal/reasonable/frequent” visitation arrangement. This means that at least one of those terms was used to describe the visitation plan, and in most of these cases, a combination of terms is used. The “Standard” category means that the judge assigned visitation rights according to a standard local schedule (Appendix 3-4 provides examples of schedules). The cases in the “Other” category do not explicitly use any of these terms, but some of these cases have the same visitation plans as the liberal/reasonable/frequent or the standard schedules.

<b>Table 3.7 Types of Visitation</b>	
<b>Visitation Arrangement</b>	<b>Number of Cases</b>
Liberal/reasonable/frequent	32
Equal (50%)	2
Split custody	1
Standard	3
No contact (or sole custody)	3
Other	16
<b>Total</b>	<b>57</b>

To implement the custody recommendations made above, the noncustodial parent's number or percentage of overnights must be specified explicitly. For private cases, judges must be specific about the exact visitation schedule or the extent to which it deviates from a standard visitation arrangement.<sup>48</sup> Because the visitation decision is made separately from the child support decision in Title IV-D cases, these cases present a greater problem.

### *Alternative Approaches to Establishing Visitation Schedules*

It is possible to retain the present system of separate determination of child support and visitation in Title IV-D cases while still adjusting the support obligation to reflect the level of visitation. If the support payment is calculated before visitation is established, then the visitation is initially set at zero. Later, when visitation is established, the support obligation can be modified to account for the level of visitation. Of course, this increases the number and frequency of modification orders.

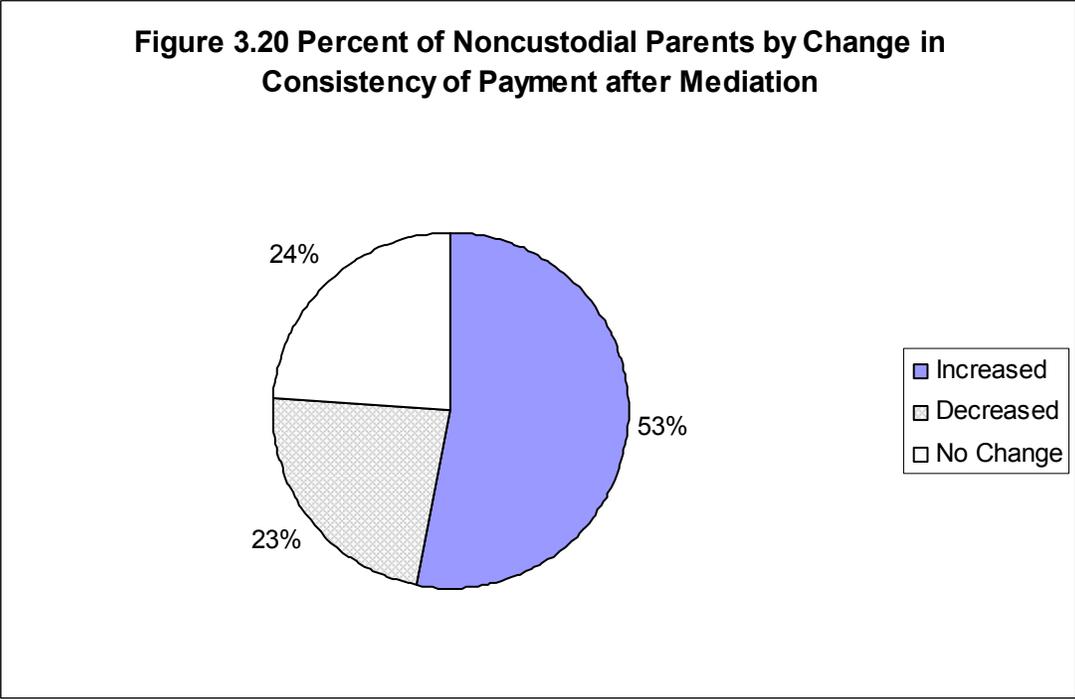
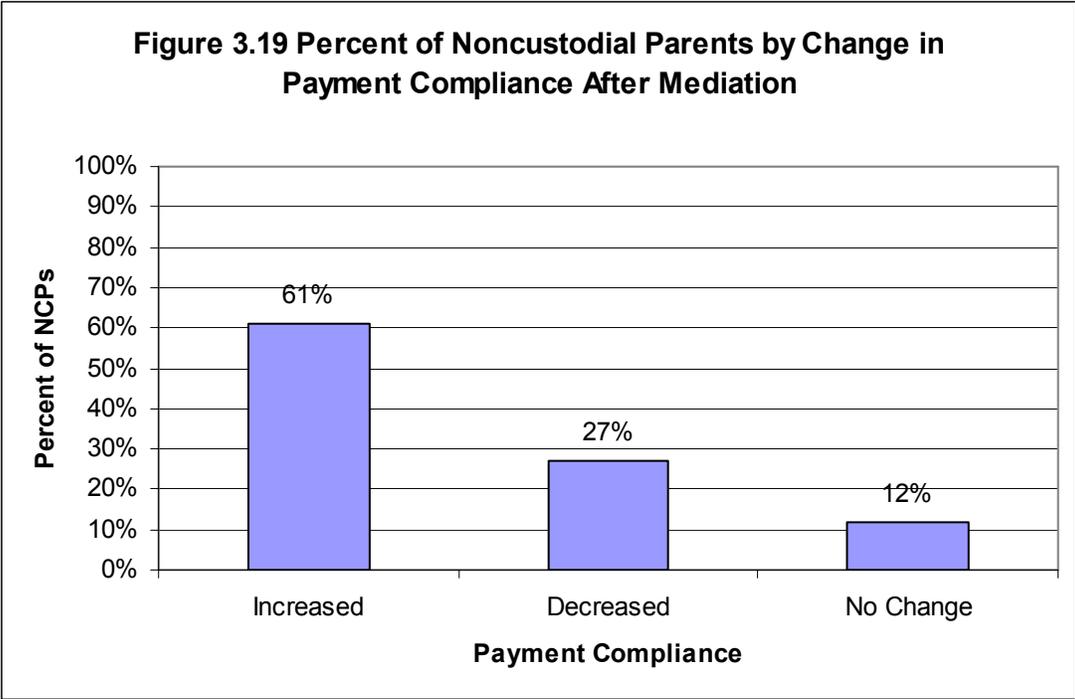
The alternative is to combine the establishment of visitation with the determination of the support obligation for Title IV-D cases. This enables the custodial parent to obtain a child support order and the noncustodial parent to obtain a visitation schedule at the same time.

A 2002 study of the Access and Visitation Grant Program by the Department of Health and Human Services suggests that this alternative would increase visitation frequency by noncustodial parents and improve compliance with child support payments. The study looked at the effectiveness of mediation programs in increasing access rights for Title IV-D participants. Figure 3.19 shows that 61 percent of the respondents increased their compliance after a mediation agreement, and Figure 3.20 shows that 53 percent of the respondents consistently paid more after the visitation agreement was reached.<sup>49</sup>

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<sup>48</sup> The typical schedule has substantial visitation, leading to a visitation percentage of about 28%. See Appendix 3-4 for typical visitation schedules.

<sup>49</sup> Figures 3.19 and 3.20 are adapted from "Effectiveness of Access and Visitation Grant Programs" and based on OEI case file review in 4 states involving 111 cases with orders before and after mediation.



The evidence is only suggestive, and no statistically significant results are provided. Nevertheless, the study provides some tentative evidence that greater visitation with the noncustodial parent leads to a feeling of greater responsibility for and involvement in the life of the child.

For the private cases, judges can be given a uniform standard visitation schedule that has an explicit percentage of visitation so that deviations from this standard schedule would have to be clearly recorded.

*Recommendations on Establishing Visitation Schedules*

- Establish a visitation schedule in all child support cases at the same time that child support is determined.
- Adopt a standard or customary visitation schedule as a basis for calculating the noncustodial parent's visitation percentage in private cases.

A standard or customary visitation schedule specifying the percentage of time to be spent with the noncustodial parent can be provided as guidance for judges in private cases. Deviations from the standard schedule would have to be described explicitly.

- Institute a pilot mediation program for Title IV-D cases.

The pilot program would assign a random sample of Title IV-D cases to a mediator who designs a visitation schedule at the same time that child support is determined. Payment compliance and visitation frequency among the cases in the pilot program would be compared with visitation and compliance in cases not assigned to the mediator. After a year the pilot program could be evaluated to determine if it provides more conclusive evidence of improvements from the visitation mediator program.

## Prior and Subsequent Children

<b>Table 3.8 Overview of Prior and Subsequent Children</b>		
<b>Issue/problem</b>	<b>Current treatment</b>	<b>Recommendations</b>
Noncustodial parent income available for support of subsequent children is less than income available for support of prior children	Child support payment for prior child is deducted from noncustodial parent's income	Retain the existing policy of allowing a deduction from net income for prior child support orders.  Amend the guidelines to allow a deduction for all court-ordered child support whether or not the noncustodial parent is current on payments.
Parents may have child support obligations to subsequent children	The parent may be allowed a deduction at the discretion of the court.	In cases of a modification, the noncustodial parent would be allowed to deduct the portion of the child support obligation for which they are responsible, either by court-order or by calculation using the current child support guidelines.

When a hearing is held to establish a child support award, one or both of the parents already may be subject to child support order for other children. These children are referred to as “prior children”. “Existing children” means the children for whom the current award is being sought. “Subsequent” children means children who are born or adopted after the current order is entered.

A major concern is the inequitable treatment of prior and existing children that results from allowing the noncustodial parent to deduct prior child support from gross income. A second issue is the treatment of subsequent children in the current proceeding. To illustrate the effects of the disparate treatment of prior and subsequent children, assume that the noncustodial parent in each of the typical cases has one prior and one subsequent child.<sup>50</sup>

### ***Prior Children***

Many states, including Florida, allow a deduction from income for prior child support obligations of the parents. Florida's current guidelines state:

- (3) Allowable deductions from gross income shall include:  
 (f) Court-ordered support for other children, which is actually paid.<sup>51</sup>

<sup>50</sup> This assumption is made for convenience to illustrate the problems of prior and subsequent children. The actual number of children of each parent in the cases in the subsample is unknown as the case files provide no information on prior or subsequent children.

<sup>51</sup> Florida Child Support Guidelines, Statute 61.30

The deduction effectively reduces the noncustodial parent’s available net income, thereby reducing the income available for support of the existing children. The deduction favors the first of the noncustodial parent’s children to obtain a support order. The child support obligation for the first to file is calculated based on the full net income of the noncustodial parent, whereas the second to file receives an award based on the reduced net income of the noncustodial parent.

*Alternative Treatment of Prior Children*

Three states, Arkansas, Connecticut, and Nevada, do not allow a deduction for prior children. Without a deduction, the prior child no longer has an advantage over the existing children.

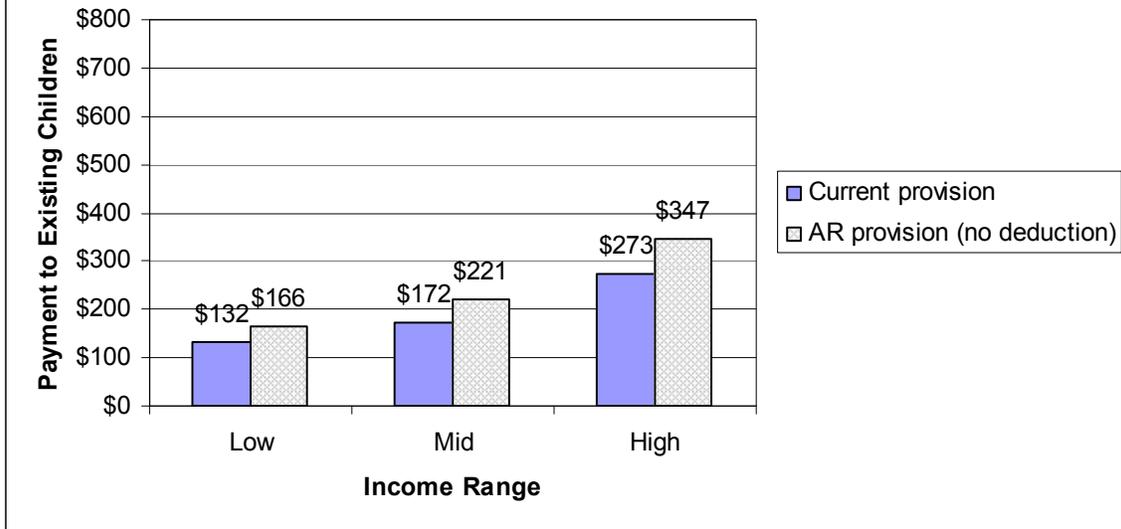
Tables 3.9a and 3.9b show the impact that the deduction for prior support has on the existing children in the typical Title IV-D middle-income case. Table 3.9a shows that the child support obligation for the prior child is \$221. If there were no deduction, the obligation for the existing child would also be \$221, but as Table 3.9b shows, once the prior support obligation is deducted, the obligation for the existing child is only \$172.

<b>Table 3.9a Title IV-D Typical Middle Income Case</b>			
	<b>CP</b>	<b>NCP</b>	<b>Total</b>
Net Income	\$860.66	\$1,010.34	\$1,871.00
Income Share	46%	54%	100%
Basic Obligation			\$410.00
Parent’s Share	\$189	\$221	\$410.00

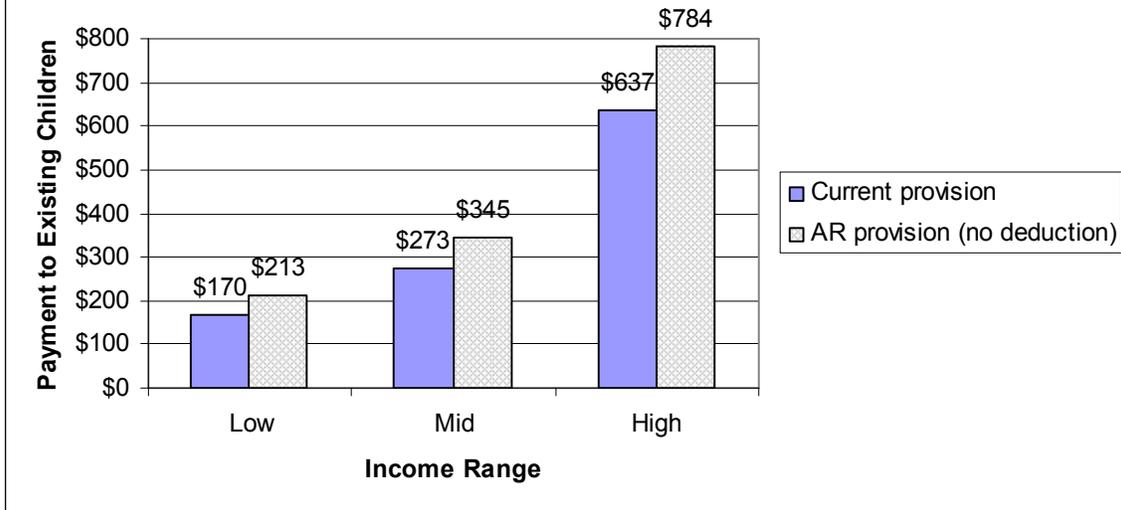
<b>Table 3.9b Title IV-D Typical Middle Income Case</b>			
	<b>CP</b>	<b>NCP</b>	<b>Total</b>
Net Income	\$860.66	\$788.94	\$1,649.60
Income Share	52%	48%	100%
Basic Obligation			\$360.00
Parent’s Share	\$188	\$172	\$360.00

Figures 3.21 and 3.22 show the impact of the deduction on the existing children in each of the typical cases.

**Figure 3.21 No Deduction for Prior Support: Impact on Existing Children, Title IV-D Cases**



**Figure 3.22 No Deduction for Prior Support: Impact on Existing Children, Private Cases**

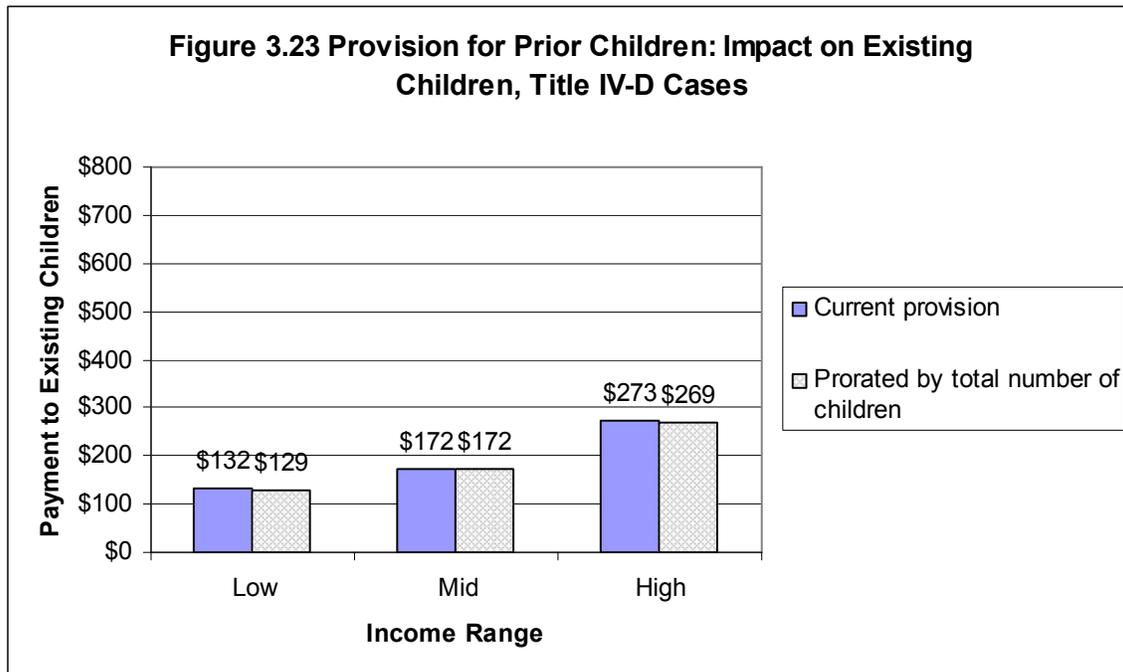


As the figures show, elimination of the deduction results in a substantial increase in payments to the existing child that translates into a significant increase in the total amount that the noncustodial parent is required to pay. The analysis suggests that eliminating the deduction would help the existing children at the expense of the noncustodial parent.

An alternative that does not favor either prior or existing children is to treat all children as if they were part of one household. A basic obligation is calculated for the

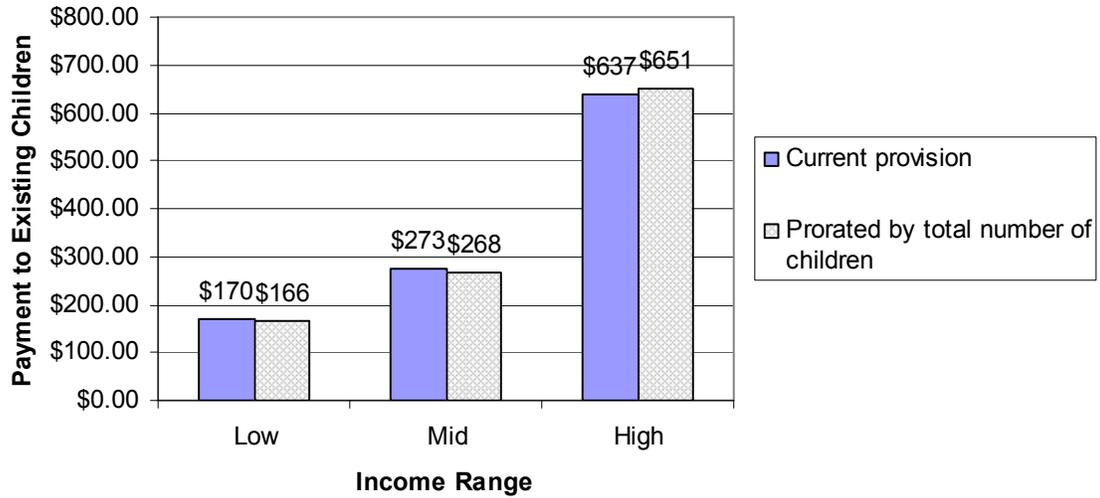
total number of children and then prorated among them. For example, if a noncustodial parent has 1 prior child and 2 existing children, the basic obligation is determined based on 3 children and each child receives one-third of the noncustodial parent’s share of the obligation, two-thirds paid to the household with the existing children and one-third paid to the household with the prior child. The support amount is the same for each child and the guidelines no longer favor the prior children. However, this alternative does require modifying the amount of the prior child’s support payment whenever an order for existing children is entered.

Figures 3.23 and 3.24 compare the impact on the existing children of prorating with the impact of the current deduction.<sup>52</sup> Figures 3.25 and 3.26 compare the impact of prorating on the prior children. As Figures 3.23 and 3.24 show, prorating has only a minimal effect on existing children. Figures 3.25 and 3.26 show that prorating substantially reduces the child support payments for the prior children. Thus, treating all children alike by determining a single child support obligation and prorating it among them adversely impacts the prior children without significantly helping existing children.

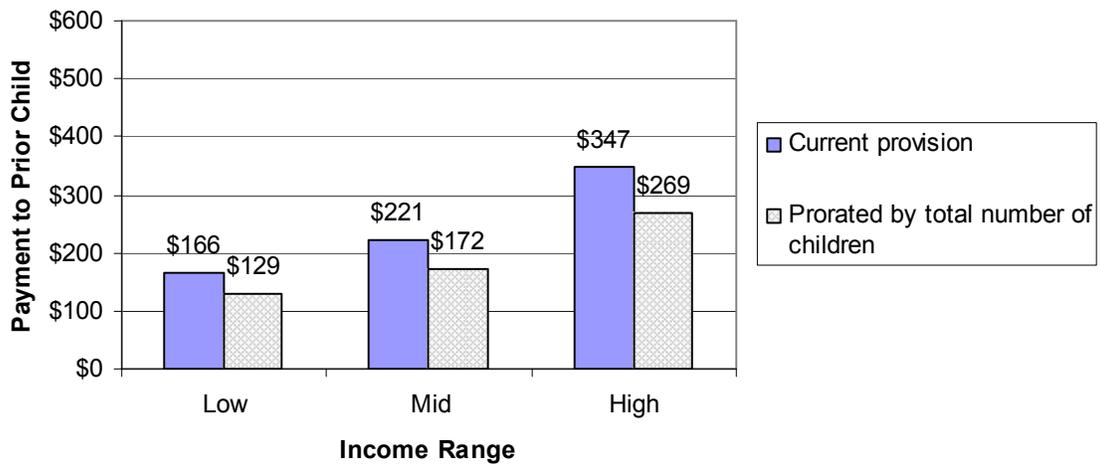


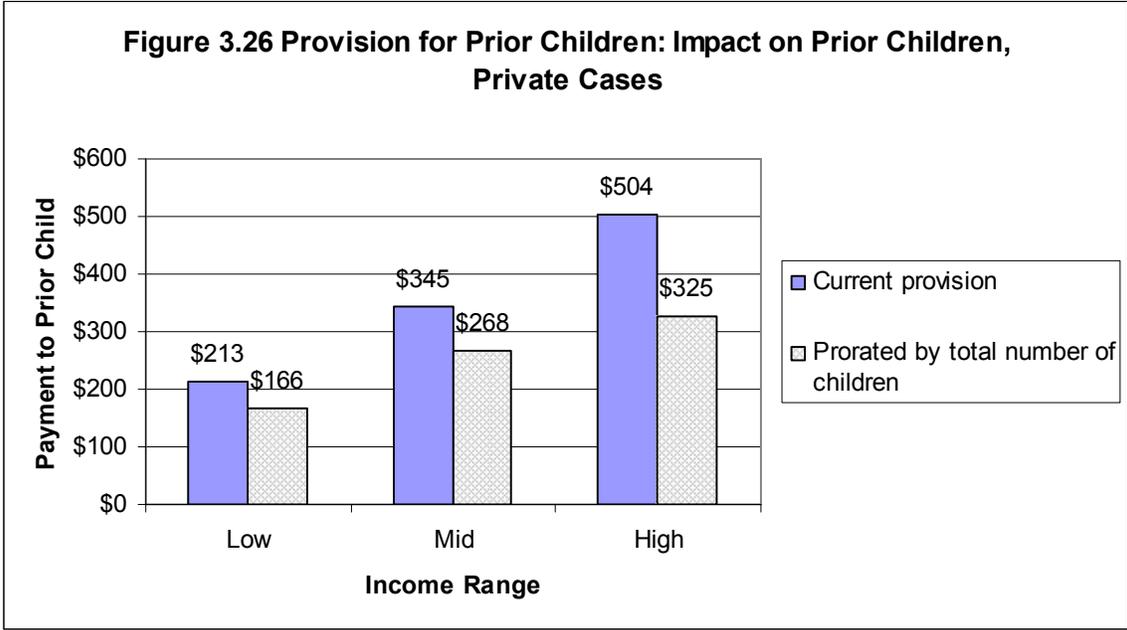
<sup>52</sup> Since Florida is an income shares state, an assumption must be made about the income of the prior child’s custodial parent. For simplicity it is assumed that both the prior and existing custodial parents have the same income. This assumption is embedded in Figures 3.23-3.28.

**Figure 3.24 Provision for Prior Children: Impact on Existing Children, Private Cases**

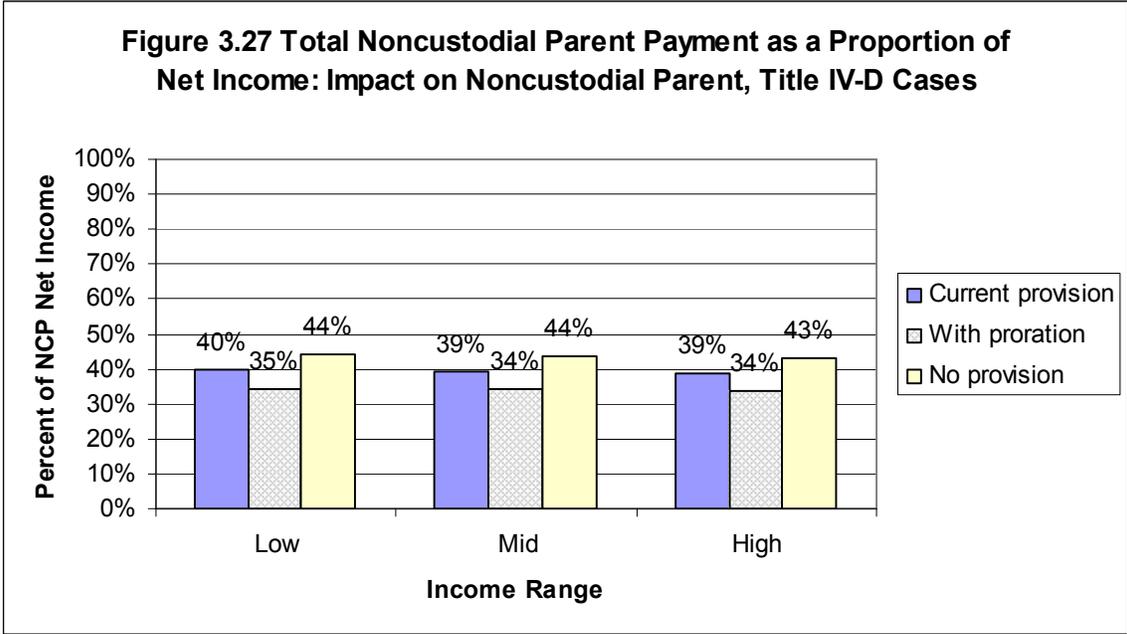


**Figure 3.25 Provision for Prior Children: Impact on Prior Children, Title IV-D Cases**

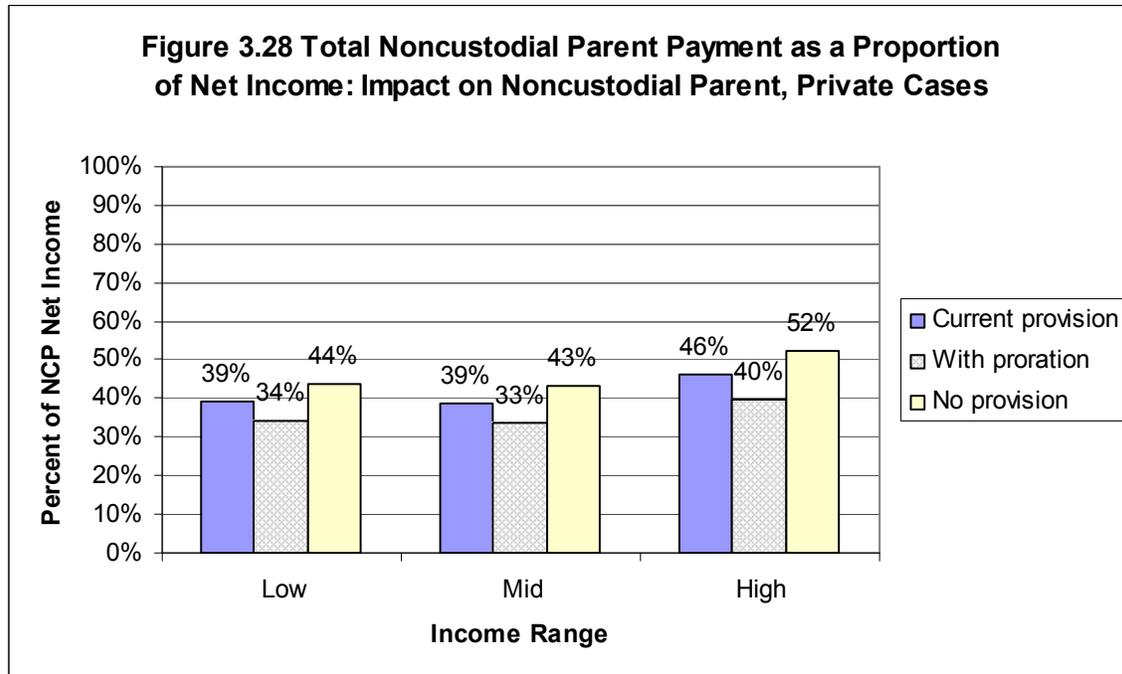




Figures 3.27 and 3.28 compare the impact of all three methods (prorating, deduction, and no deduction) on the noncustodial parent.



**Figure 3.28 Total Noncustodial Parent Payment as a Proportion of Net Income: Impact on Noncustodial Parent, Private Cases**



Eliminating the deduction for prior children increases the noncustodial parent’s child support obligation for the existing children. Increasing the burden on the noncustodial parent may in some cases decrease compliance and may actually reduce the amount of child support paid to the custodial parent. Prorating provides for more equal treatment of prior and existing children, but it adversely affects the prior children without significantly improving the welfare of the existing children.

The choice among these alternative policies depends on whether the major concern lies with the prior children, the existing children, or the noncustodial parent. If the primary concern is for the prior children, then the deduction should not be a major concern. Whether or not a deduction for prior child support is allowed does not effect the prior child’s support obligation. If the primary concern is the existing children, eliminating the deduction increases their support without reducing support for the prior children. However, it may have adverse effects on compliance. Prorating reduces support for the prior children without significantly increasing support for existing children, but it imposes the smallest total obligation on the noncustodial parent, and for this reason, may lead to greater compliance.

*Recommendations on Prior Children*

- Retain the existing policy of allowing a deduction from net income for prior child support orders.

Because no policy is clearly preferable, the recommendation is to keep the existing policy.

- Amend the guidelines to allow a deduction for all court-ordered child support whether or not the noncustodial parent is current on payments.

Currently, only *paid* prior support orders are allowable deductions. In a number of states, including Nebraska, Illinois, and Missouri, the deduction for prior support does not require that it be paid. In order for child support to be considered “paid,” the noncustodial parent must be current on the payments. Depending on how strictly the law is interpreted, a parent who has paid support on time for five out of six months may not receive a deduction. Essentially, this means that noncustodial parents who do not consistently pay or who are struggling to pay and make payments late have a higher child support obligation and lower net income. Imposing a higher obligation on an already noncompliant noncustodial parent suggests that the order for the existing children will also go unpaid.

### ***Subsequent Children***

Parents may have children, natural or adopted, living with them after the court order for existing children was entered.<sup>53</sup> If a modification of an order for existing children is sought, the court may want to include the subsequent children in the calculation of the modified payment. Many states have such a provision for subsequent children.

The Florida Statute discusses the treatment of subsequent children as follows:

(12)(a) A parent with a support obligation may have other children living with him or her who were born or adopted after the support obligation arose. If such subsequent children exist, the court, when considering an upward modification of an existing award, may disregard the income from secondary employment obtained in addition to the parent's primary employment if the court determines that the employment was obtained primarily to support the subsequent children.

(b) Except as provided in paragraph (a), the existence of such subsequent children should not as a general rule be considered by the court as a basis for disregarding the amount provided in the guidelines. The parent with a support obligation for subsequent children may raise the existence of such subsequent children as a justification for deviation from the guidelines. However, if the existence of such subsequent children is raised, the income of the other parent of the subsequent children shall be considered by the court in determining whether or not there is a basis for deviation from the guideline amount.

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<sup>53</sup> In the present system, if the NCP is married, then you can calculate child support for their subsequent children as if they were divorced. If there is no marriage and no court order for child support, then the court will exercise its discretion. Most likely there would be another child support order if the NCP is not living with the CP of the subsequent child. If no order exists, then there will likely be no credit. An alternative would be to treat all of the NCP's natural and adopted children as eligible children no matter the circumstances. This treatment assumes that the NCP would have an obligation to support the subsequent child.

(c) The issue of subsequent children under paragraph (a) or paragraph (b) may only be raised in a proceeding for an upward modification of an existing award and may not be applied to justify a decrease in an existing award.<sup>54</sup>

### *Alternative Treatment of Subsequent Children*

The treatment of multiple children in current state guidelines varies widely. Some states have no provision for subsequent children. Others allow a deviation from guideline amounts but provide no guidance as to how the deviation should be calculated. Still other states provide for consideration of subsequent children only as a defense against an upward modification of an existing order. Other states allow consideration of subsequent children in proceedings for both an original order and for a modification.

A few states (Kansas and Texas, for example) require that a hypothetical child support obligation be calculated for all children to whom the parent has an obligation for support, prior and subsequent. The hypothetical order is then prorated among the children. In Texas, the hypothetical order for the subsequent children is then deducted from the parent's income before determining the actual order for the existing child or children. In Kansas, the order for the existing child or children is the prorated amount of the hypothetical order.

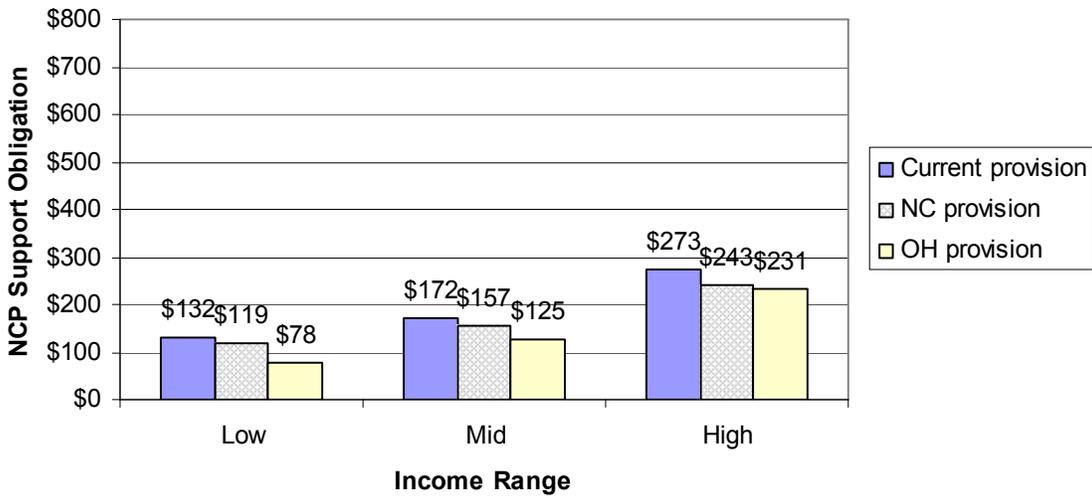
The most common approach is to calculate a hypothetical support order only for the subsequent children, and most often only if they reside with the parent. The hypothetical order amount is then deducted from the parent's income to determine the income available for support of the existing child or children. In several states (Michigan and North Carolina, for example), the deduction is limited to 50 percent of the hypothetical order amount, while in South Carolina it is 75 percent. Iowa and Ohio provide for deduction of a fixed amount. For example, Ohio allows a deduction equal to the monthly amount of the federal tax exemption (currently, \$250).

To illustrate the effects of these alternatives, Figures 3.29 and 3.30 compare Florida's current treatment of subsequent children with their treatment in North Carolina and Ohio.

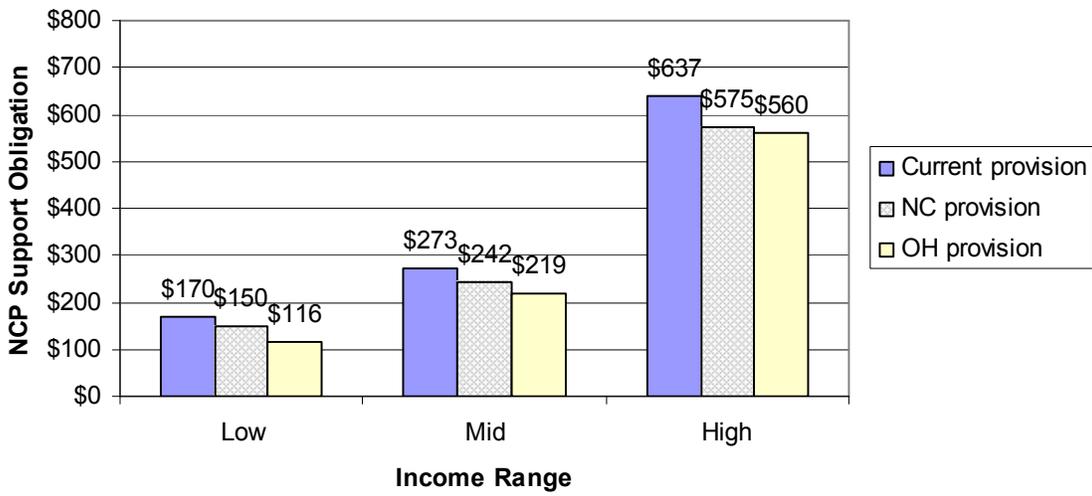
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<sup>54</sup> Florida Child Support Guidelines, Statute 61.30

**Figure 3.29 Alternative States' Provisions for Subsequent Children: Impact on Existing Children, Title IV-D Cases**



**Figure 3.30 Alternative States' Provisions for Subsequent Children, Impact on Existing Children, Private Cases**



Most of the alternatives to Florida’s treatment of subsequent children would, like those in North Carolina and Ohio, yield a substantial decrease in the noncustodial parent’s payment to the existing children.

None of the alternatives is entirely satisfactory. Some even create a “race to the courthouse.” Allowing a deduction for prior support orders lowers the amount of the noncustodial parent’s income available to support subsequent children. As a result,

whichever custodial parent reaches the court first obtains a child support order based on the largest share of the noncustodial parent's income. Other alternatives, such as prorating among all the children, require that an existing order for prior children be reduced to provide sufficient funds for the support of subsequent children. Any proposal that treats all of the children equally results in a potential cascading of multiple orders. The combined amount of all the orders may exceed the noncustodial parent's ability to pay. In the long run, this may disadvantage all parties, noncustodial parent, custodial parents, and children alike, if it creates disincentives for the noncustodial parent to work and earn income or if it reduces compliance.

*Recommendations on the Treatment of Subsequent Children*

- Compute a deduction equal to the parent's share of the basic obligation for the subsequent children using the combined income of their parents. The deduction may only be used as a defense against an upward modification of an existing child support order.

The current guidelines allow a deviation on the basis of subsequent children when modification of an existing order is sought, but do not specify how the deviation is to be calculated. Because none of the alternatives is clearly superior, a major change in Florida's current policy is not recommended without further study. The recommendation retains the current policy but provides some guidance to judges on calculation of the deviation.

## Appendix 3-1 Modified Worksheet Including a Low-Income Provision

This sample worksheet includes a self-support reserve and phase-in within the worksheet that applies to the total child support payment rather than just the basic obligation. The marginal child support rate in the worksheet is 50 percent over the phase-in range and applies to the noncustodial parent's income alone.

<b>CASE INFORMATION</b>	
1	Mother's name:
2	Father's name:
3	Names of children addressed in this case:

<b>MONTHLY INCOME</b>				
		CP	NCP	<u>Total</u>
4	Total number of children in this case:			
5	Gross Income			
6	Allowable Deductions			
7	Net Income (L5-L6)	+	=	
8	%Share of Total (Each parent's net income divided by combined income)			100%

<b>MONTHLY FINANCIAL NEED</b>				
9	Basic Need (From Schedule of Basic Child Support Obligations)			
10	Childcare (75%)			
11	Insurance			
12	Total Financial Need (L9 +L10 +L11)			

<b>NONCUSTODIAL PARENTAL OBLIGATION (Completed only for the NCP)</b>				
13	Obligation (L8 x L12)			
14	Credit, Childcare			
15	Credit, Insurance			
16	Net Obligation (L13 – L14 – L15)			

<b>LOW-INCOME NONCUSTODIAL PARENT ADJUSTMENT</b>				
17	L7 - \$750			
18	L17 x 50%			
19	Adjusted Net Obligation (enter the smaller of L16 or L18, but not less than zero)*			

\*If line 19 is zero, the noncustodial parent's child support payment is to be determined at the discretion of the court.

## **Appendix 3-2 Proposed Formula for Calculating Child Support Incorporating a Shared Custody Adjustment**

The current procedure for determining a child support payment in shared custody cases is equivalent to the following formula:

$$\text{Payment} = (\text{Basic Support Obligation}) * 1.5 * [(\text{Parent A's Share of Combined Income}) - (\text{Parent A's Percentage of Shared Parenting Time})].$$

If the result is positive, Parent A pays child support to Parent B. If the result is negative, Parent B pays child support to Parent A. The procedure is used only when the child spends at least 40 percent of time with the noncustodial parent.

The multiplicative factor, 1.5, is intended to compensate for duplicate expenses incurred by both the custodial and noncustodial parents when the child spends a substantial amount of time with each. The factor is essentially arbitrary and is not derived from any underlying economic data on the amount of such expenses.

The formula proposed here is a modification of the current shared custody formula. It differs from the current practice because it

1. applies to all child support cases, not just shared custody cases;
2. eliminates the 40 percent threshold, so that it includes all visitation arrangements and avoids “cliff” effects (the large discrete changes in child support payments associated with small changes in visitation arrangements that arise with the current shared parenting adjustment);
3. makes the compensation for duplicate expenses depend on the amount of shared parenting time.

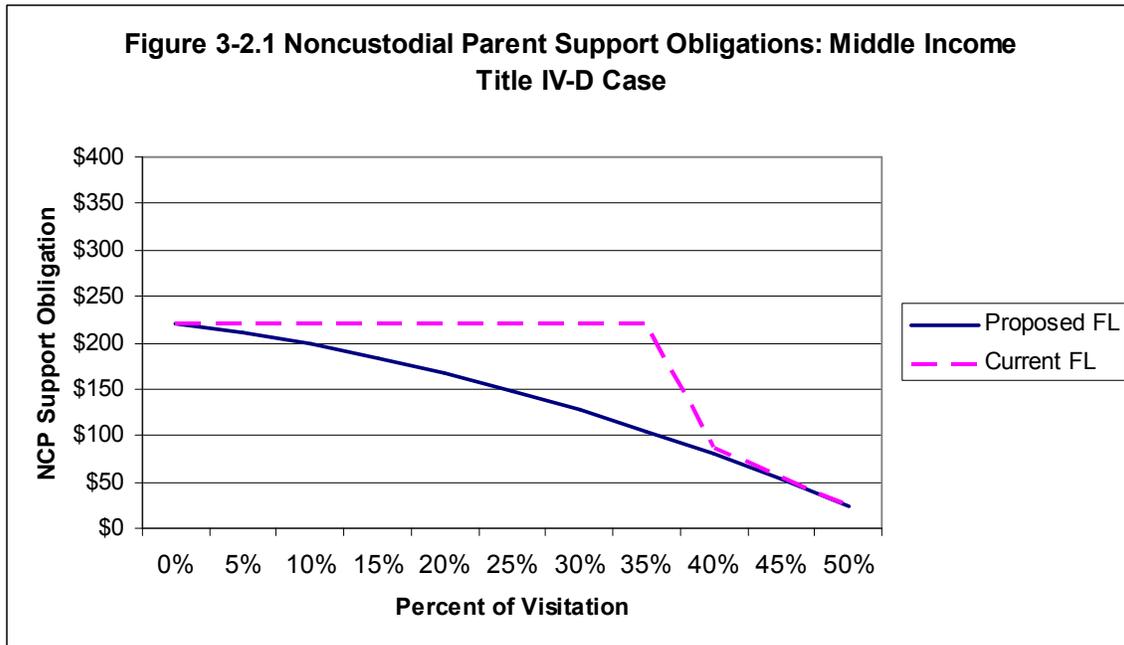
The modified formula is:

$$\text{Payment} = (\text{Basic Support Obligation}) * (1 + \text{Parent A's Percentage of Shared Parenting Time}) * [(\text{Parent A's Share of Combined Income}) - (\text{Parent A's Percentage of Shared Parenting Time})].$$

The noncustodial parent is the parent whose shared parenting time is less than 50 percent. If the parents share time equally, the noncustodial parent has the larger share of the combined income.

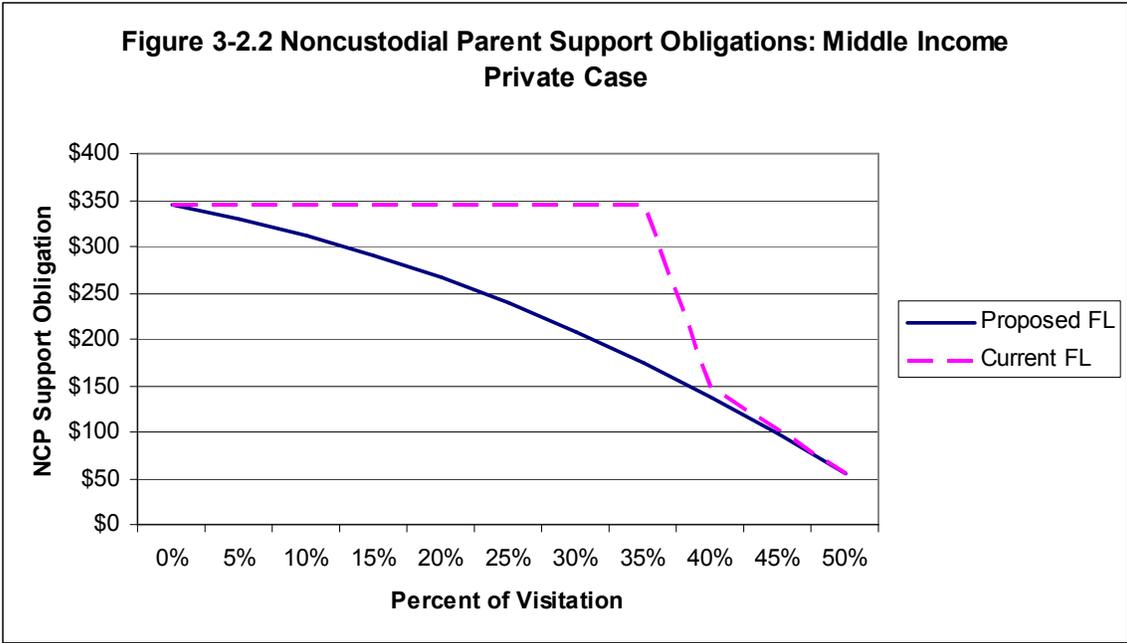
Figure 3-2.1 shows the typical middle-income Title IV-D case's child support payment generated by the current Florida child support guidelines and the payment generated by the proposed formula. The parents' combined income is \$1871, the

noncustodial parent's share of the combined income is 54 percent, and the couple has one child. The basic child support obligation is \$410.

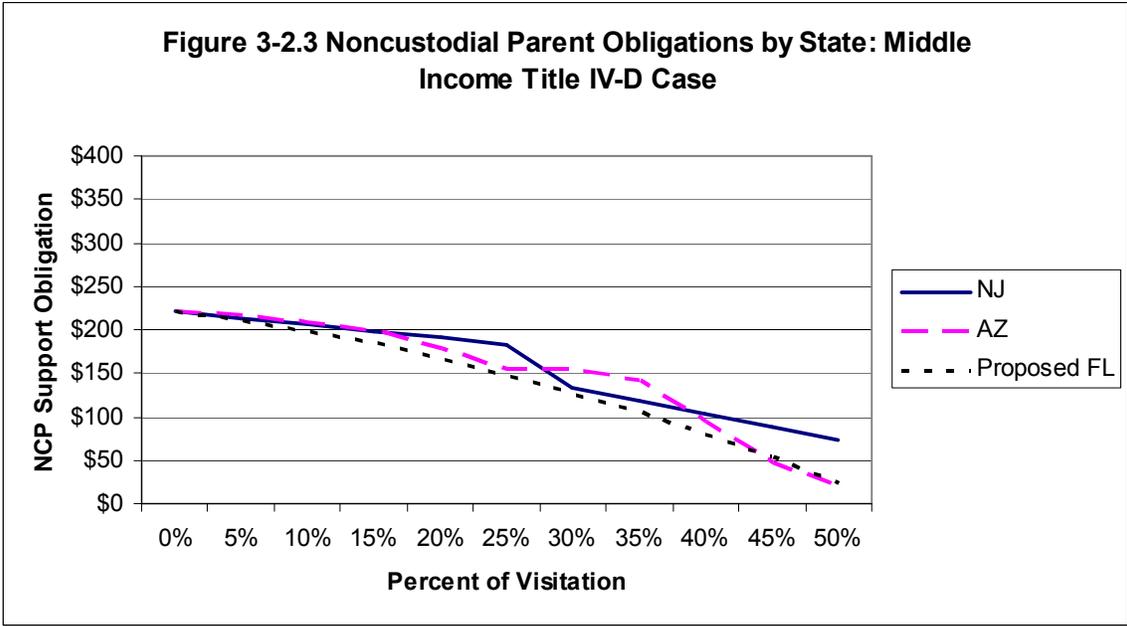


The noncustodial parent's support obligation in the current schedule is the same at all levels of visitation up to 40 percent. At 40 percent, the obligation falls sharply. The obligation in the proposed schedule declines smoothly and steadily as the percent of visitation increases.

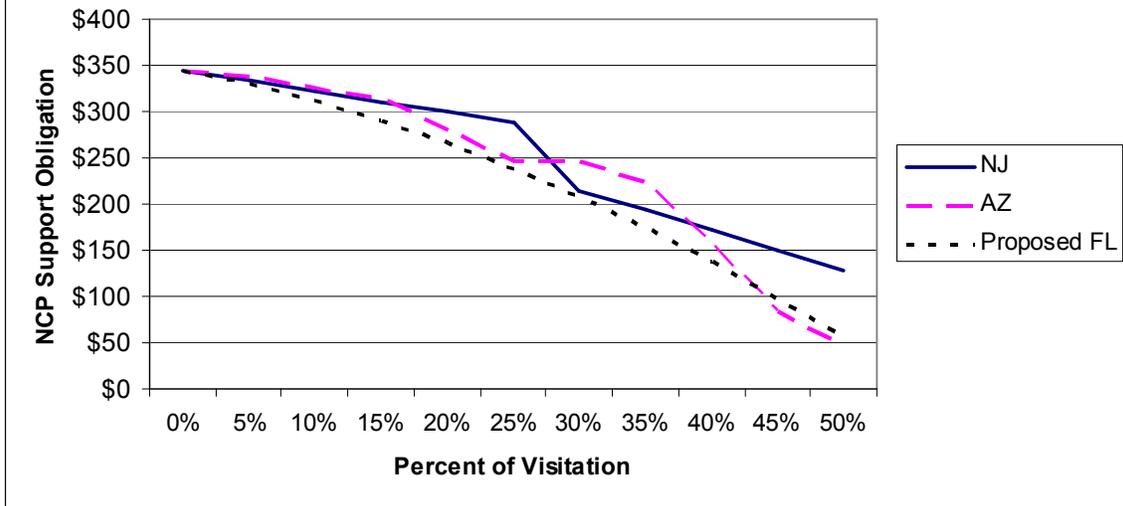
Figure 3-2.2 shows the same comparison for the typical middle-income private case. The combined income is \$2858, the noncustodial parent's share is 56 percent, the couple has one child, and the basic support obligation is \$616. Again, the obligation falls sharply at 40 percent in the current schedule but decreases smoothly in the proposed schedule.



Figures 3-2.3 and 3-2.4 compare child support payments that would be generated for the typical middle-income cases by the proposed Florida schedule or if Florida were to adopt New Jersey’s or Arizona’s approach. New Jersey provides a variable expense credit of 37 percent when shared parenting time is less than 28 percent and both a variable expense credit of 37 percent and a fixed expense credit of 38 percent when shared parenting time is 28 percent or more. The threshold effect is reduced in New Jersey’s approach, but it still exists at 28 percent. Arizona has no threshold but provides a credit for any level of visitation.



**Figure 3-2.4 Noncustodial Parent Support Obligation by State: Middle Income Private Case**



**Appendix 3-3**  
**Proposed Florida Child Support Guidelines Worksheet**  
**Incorporating a Shared Custody Adjustment**

<b>CASE INFORMATION</b>	
1	Mother's name:
2	Father's name:
3	Names of children addressed in this case:
4	Total number of children in this case:

<b>MONTHLY INCOME</b>				
		<u>CP</u>	<u>NCP</u>	<u>Total</u>
5	Gross Income			
6	Allowable Deductions			
7	Net Income (L5-L6)	+	=	
8	%Share of Total (Each parent's net income divided by combined income)			100%
9	Basic Need (From Schedule of Basic Child Support Obligations)			

<b>NONCUSTODIAL PARENTAL OBLIGATION</b>				
10	Percent of Overnights with Child			100%
11	Duplicate Expense Factor (If L10 is equal to or less than 50%, equals 1+L10. If L10 is greater than 50%, equals 2-L10.)			
12	Adjusted Basic Need (L9 x 11)			
13	Parent's Share of Adjusted Basic Need (L8 x L12)			
14	Shared Parenting Credit (L10 x L12)			
15	Basic Obligation (L13 – L14. If negative, enter zero.)			

<b>NET OBLIGATION</b>				
16	Childcare (75% of actual monthly amount)			
17	Insurance			
18	Total (L16 + L17)			
19	Noncustodial Parent's Share (L8 x L18. Use only when L15 is greater than zero))			
20	Total Obligation (L15 + L19)			
21	Credit, Childcare			
22	Credit, Insurance			
23	Net Obligation			

## **Appendix 3-4 Sample Visitation Schedules**

### CITRUS COUNTY VISITATION SCHEDULE

1. The Respondent shall have visitation as follows:
  - a. Every other weekend from Friday after school and returning the child(ren) to the residential parent at 7:00 on Sunday evening. If the Friday before the weekend is a day off from school, then the visitation would begin Thursday after school. Likewise, if the Monday following the visitation period is a holiday, then the parent would return them at 7:00 Monday evening.
  - b. Each Wednesday from after school until 8:00 p.m. (or such other day as agreed upon by the parties).
  - c. The entire Thanksgiving weekend to be alternated each year, commencing Wednesday after school and returning the child(ren) at 7:00 on Sunday evening.
  - d. Christmas—One parent would have the child(ren) from the time the child gets out of school for Christmas break through Christmas Day at 2:00 p.m. and returning the child(ren) at 7:00 p.m. the evening before school starts. The following year the arrangement would switch. In the event one of the parents resides out of state, the exchange date shall be on the 26<sup>th</sup> at noon.
  - e. The Spring Break would be split on Wednesday at 6:00 p.m. The first half of the Spring Break would go to the person whose regularly scheduled weekend falls on the first half and the second half going to the person whose weekend falls during the second half.
  - f. Mother's Day shall be with the mother and Father's Day shall be with the father. If that is not normally the respective parent's visitation weekend, then they shall be entitled to have the minor child(ren) visit with them on that date from 9:00 A.M. in the morning until 6:00 p.m.
  - g. Summer and Year-Round School Breaks. For all children ages three (3) and above, all breaks from school including summer breaks and year-round school breaks, shall be equally divided. If the parties are unable to agree, then one year one party will have the first half of the break and the next year, they will have the second half of the break. To the extent that the parties are in town, the visitation schedule as outlined above shall remain in effect.
  - h. That the non-residential parent shall be responsible for all transportation of the minor child(ren) for purposes of exercising visitation provided both parties reside in Citrus County. In the event that the residential parent moves out of the county, then the parties shall equally split the time and expense of travel.
  - i. That the minor child(ren) may call the other parent any time the child(ren) wishes. If the call is a toll call, the receiving parent shall be responsible for the toll charge. Each parent shall be entitled to reasonable telephone contact with the child.

FOURTH JUDICIAL CIRCUIT VISITATION GUIDELINES:

The child(ren) has a right to spend substantial time with both parents. Each of the parties shall exercise the utmost good faith and shall consent to all reasonable requests by the other party. The residential parent is expected to provide access to the child(ren) at unscheduled times if requested and if to do so does not unreasonably disrupt prior planned activities of the child(ren) or the residential parent. Therefore, not as a limitation, but as an extension of the foregoing, the non-residential parent is entitled to and shall have the following minimum visitation rights with the child(ren):

- (a) One evening per week from immediately after school/work through 8:30 p.m. If the parents cannot agree upon the evening, then it shall be Wednesday evening.
- (b) Every other weekend, commencing on \_\_\_\_\_. Should the non-residential parent's regular weekend fall on a three day weekend which is observed by both the non-residential parent and the child(ren)'s school and the weekend is a holiday or special occasion not otherwise expressly provided for below, the non-residential parent shall be entitled to the three day weekend.
- (c) Memorial Day and Labor Day weekends in even numbered years.
- (d) Easter weekend, Independence Day (from 9:00 a.m. July 4<sup>th</sup> through 9:00 a.m. July 5<sup>th</sup>, except it shall be a three day weekend if July 4<sup>th</sup> falls on a Friday or Monday) and Thanksgiving weekend (from immediately after school/work Wednesday through 6:00 p.m. Sunday) in odd numbered years.
- (e) School spring break from immediately after school/work the day school lets out through 6:00 p.m. the day before school resumes in odd numbered years.
- (f) The child(ren) shall be with the father on Father's Day weekend and with the mother on Mother's Day weekend.
- (g) Birthday of the child(ren) in even numbered years.
- (h) Every Christmas season. In even numbered years, from immediately after school/work the day school lets out through December 25<sup>th</sup> at 1:00 p.m. During odd-numbered years, from 1:00 p.m. December 25<sup>th</sup> through 6:00 p.m. on the day before school resumes.
- (i) If a weekend provided for above is a two-day weekend, it shall be from 6:00 p.m. on Friday through 6:00 p.m. on Sunday. If a weekend is a three-day weekend, it shall be from 6:00 p.m. the day before the weekend (Thursday or Friday) through 6:00 p.m. the last day of the weekend

(Sunday or Monday). Even though several of the above visitation provisions are related to “school”, the non-residential parent shall have comparable visitation with a pre-school child(ren).

- (j) As to sub-paragraph (b), the residential parent shall have the alternate weekends. As to sub-paragraphs (c) through (h), the residential parent shall be entitled to the same time with the child(ren), but in alternate years.
- (k) Holidays and special occasions as provided in sub-paragraphs (c) through (g) shall have priority over regular weekday and weekend visitation. Any weekday or weekend time missed by either parent as a result of any such conflict may be made up within 60 days of the missed time.
- (l) Six weeks of summer visitation. If the parents cannot agree upon the dates for such visitation, then the visitation shall commence at 9:00 a.m. on the second Saturday in June and shall continue for a period of six weeks but the provisions provided for regarding Father’s Day, the child(ren)’s birthday, and July 4<sup>th</sup> shall have priority. During such time, the residential parent shall also be entitled to the weekday and weekend visitation provided the non-residential parent. Notwithstanding, during the summer, each parent shall be entitled to reasonable extended, out-of-town vacation time uninterrupted by sharing the child(ren) with the other parent.
- (m) Both parents shall endeavor to be punctual in transferring the child(ren). If circumstances prevent with from being punctual, the parents shall communicate and cooperate appropriately.
- (n) Each parent shall give the other parent at least 24 hours advance notice (or if an emergency occurs, as quickly as possible), if he/she will be unable to exercise weeknight, weekend, Father’s Day, Mother’s Day, or birthday visitation. As to holidays, there shall be one-week advance cancellation notice; as to Christmas and summer, one month advance cancellation notice. Notice as to Christmas and summer visitation shall be in writing.

NOTE: If a child(ren) is enrolled in a modified calendar/multi-track school program, then some of the foregoing provisions would not correctly apply (e.g. Thanksgiving, Christmas, School Spring Break, and Summer). Visitation must be “tailored” by the parties or Court to be consistent with the intent of the Guidelines.

## Chapter 4

# Comparing Child Support Schedules across States and Models

Florida's child support guidelines are based on the income shares model described in Chapter 1. Three of the six southeastern states also use the income shares model. The other three states use the next most popular percent-of-obligor model. Two other models are in use in other states and two models have been proposed but not yet adopted by any state.

After describing each of the alternative models, this chapter compares Florida's child support payments to the child support payments that would be generated by the schedules in the six other southeastern states, and also compares Florida's child support payments to those generated by the four other child support models. The objective of the analysis is to determine what a Florida parent would pay if Florida adopted an alternative schedule or model, not what a Florida parent would pay in another state.

In each set of comparisons, the schedule of child support payments is displayed as a function of the noncustodial parent's net income and the child support payments that would be generated for each of the typical cases are also shown. The comparisons show the support payments that would be made by the noncustodial parent to the custodial parent's household excluding additional expenses for child care and health insurance.

Florida's child support schedule is based on net income. Other states and methodologies use gross income. When necessary for the comparisons, net income has been converted to gross income using a Florida Department of Revenue electronic child support worksheet that generates a gross income corresponding to each parent's net income.

### **Alternative Child Support Models**

The five alternative child support models are:

1. Percent of Obligor
2. Hybrid
3. Melson Formula
4. Cost Shares
5. American Law Institute (ALI)

The first three models are presently in use and the last two have been proposed. The following diagram shows the type of model used in each state.

PLACEHOLDER FOR MAP

**Percent-of-Obligor**

This is the simplest of the models. The percent-of-obligor model calculates the child support payment as a percentage of the noncustodial parent’s income alone. Therefore, the payment is not affected by the custodial parent’s income. Wisconsin’s guidelines lay out the underlying premise of the percent-of-obligor model: “a child’s standard of living should, to the degree possible, not be adversely affected because his or her parents are not living together.”<sup>55</sup>

Child support guidelines in the thirteen states that use the percent-of-obligor methodology exhibit considerable variation. The major differences among the states arise from the definition of income and the percentages applied to that income. Some states apply the percentage to gross income, as in Georgia and Nevada, while others like Mississippi and Tennessee use net income. While the percentages in all states vary with the number of children, the percentages in some states also increase as the noncustodial parent’s income increases. Georgia’s model is unique among percent-of-obligor states in that it utilizes a range of percentages, allowing judges to make case-by-case decisions concerning the appropriate payments within the statutory range of percentages. In determining a specific percentage within the statutory range, judges in Georgia consider:

1. ages of children
2. extraordinary medical costs
3. educational costs
4. day care costs
5. extended visitation
6. prior support obligations
7. extreme economic circumstances (high debt or income over \$75, 000)
8. historical spending patterns in the household
9. the custodial parent’s income
10. the noncustodial parent’s extraordinary expenses (travel costs, medical costs, etc.)

Table 4.1 compares the percentages applied to noncustodial parent income in selected states.

<b>Table 4.1 Percentages Utilized by Selected States</b>				
	<b>Percentage of Income</b>			
	<b>Gross Income</b>		<b>Net Income</b>	
<b>Number of Children</b>	<b>Georgia</b>	<b>Nevada</b>	<b>Arkansas</b>	<b>Tennessee</b>
1	17-23%	18%	15%	21%
2	23-28%	25%	21%	32%
3	25-32%	29%	25%	41%
4	29-35%	31%	28%	46%
5	31-37%	33%	30%	50%
6	31-37%	35%	32%	50%

<sup>55</sup> Wisconsin Child Support Guidelines, Chapter DWD 40.

Some percent-of-obligor states base their guidelines on the Wisconsin model. Wisconsin’s percentages are derived from estimates of the cost of children by Jacques Van der Gaag.<sup>56</sup> Arkansas, on the other hand, bases its guidelines on David Betson’s estimates of the cost of children using a Rothbarth methodology.<sup>57</sup>

**Hybrid Model**

Massachusetts and the District of Columbia use a “hybrid” model, a combination of the percent-of-obligor and income shares models. These states attempt to capture the simplicity of the percent-of-obligor model while also allowing the child support payment to respond to both parents’ incomes.

In Massachusetts the basic order is determined according to the percent-of-obligor model. The percentages, which vary by income, are displayed in Table 4.2.

<b>Table 4.2 Massachusetts's Formula for Determining Child Support<sup>58</sup></b>			
<b>Gross Weekly Income</b>	<b>Number of Children</b>		
	<b>1</b>	<b>2</b>	<b>3</b>
\$0 - 100	Discretion of the court, but not less than \$80 per month		
\$101 - 280	21%	24%	27%
\$281 - 750	\$59 + 23%	\$67 + 28%	\$76 + 31%
<b>(% refers to all dollars over \$280)</b>			
\$751 and over	\$167 + 25%	\$199 + 30%	\$222 + 33%
<b>(% refers to all dollars over \$750)</b>			

When the custodial parent’s gross annual income minus childcare expenses exceeds \$20,000, the basic order is reduced by a fraction whose numerator equals the custodial parent’s excess income (gross income in excess of \$20,000) divided by the sum of the noncustodial parent’s income and the custodial parent’s excess income.<sup>59</sup> This results in an adjustment percentage that ensures that the child support payment is sensitive to the custodial parent’s income as well as the noncustodial parent’s income.

In effect, once the custodial parent’s income rises above the \$20,000 threshold, the noncustodial parent is allowed a credit against the basic support obligation. The credit increases as the custodial parent’s income increases.

<sup>56</sup> Jacques Van der Gaag, “On Measuring the Cost of Children,” Child Support: Technical Papers, Volume III, SR32C, Institute for Research on Poverty, Special Report Series, University of Wisconsin, 1982.  
<sup>57</sup> See “Report on the Michigan Child Support Formula,” by Policy Studies Inc., 2002.  
<sup>58</sup> Massachusetts Child Support Guidelines, “Child Support Obligation Schedule” Adapted from: <http://www.cse.state.ma.us/parents/cseguide.htm>  
<sup>59</sup> “Excess” income is gross income above \$20,000.

### ***Melson Formula***

This model is used in three states (Delaware, Hawaii, and Montana). Delaware's Melson formula consists of two parts. First, a primary support allowance, based solely on the number of children, is determined. If, after paying the primary support allowance, the noncustodial parent still has income available, then a standard of living adjustment (SOLA) is applied. The standard of living adjustment lets the child share in the portion of the parent's income that exceeds the amount needed to maintain a minimum standard of living.

Table 4.3 shows the primary support allowances and SOLA percentages used in Delaware.

<b>Number of Children</b>	<b>Primary Support Allowance</b>	<b>SOLA Percentage</b>
1	\$350	16%
2	\$650	26%
3	\$920	33%
4	\$1,170	39%
Each additional	+\$220	+4%

### ***Cost Shares***

The cost shares methodology is a relatively recent development among child support models.<sup>61</sup> It has been proposed for adoption in both Georgia and Minnesota. Its basic structure is similar to the income shares model but it differs in its implementation. For example, the model uses the average income of the two parents instead of the combined income. It also allows the noncustodial parent to share in any tax benefits received by the custodial parent. Most importantly, it is based on estimates of the costs of children that are constructed from individual expenditure categories, an approach that is quite different from the Engel and Rothbarth approaches to estimating expenditures on children.

The cost shares methodology estimates the marginal cost of children directly from U.S. Department of Agriculture data. These estimates are based on costs associated with single parent households, excluding expenditures on childcare and education. The cost shares model assumes that the noncustodial parent has single taxpayer status and that the custodial parent files as a head-of-household. The premise of the cost shares model is that both parents should share in the cost of raising the child(ren) as well as in the cost offsets (i.e., tax benefits). In order to accomplish this sharing, the tax saving that accrues to the custodial parent by filing as a head of household is used as an offset in determining the noncustodial parent's payment.

<sup>60</sup> Delaware Child Support Guidelines, Adapted from: <http://courts.state.de.us/family/formula02.pdf>

<sup>61</sup> See Rogers, R. M. and D. J. Bieniewicz "Child Cost Economics and Litigation Issues: An Introduction to Applying Cost Shares Child Support Guidelines," Southern Economic Association Annual Meetings, November, 2000.

## ***American Law Institute***

The model developed by the American Law Institute (ALI) posits five main objectives in developing child support guidelines:

- (1) that parents share income with a child in order that the child
  - (a) enjoy a minimum decent standard of living when the resources of both parents together are sufficient to achieve such result without impoverishing either parent, and
  - (b) enjoy a standard of living not grossly inferior to that of either parent.
- (2) that a child not suffer loss of important life opportunities that the parents are able to provide without undue hardship to themselves or their other dependents;
- (3) that residential parents be treated fairly
- (4) that nonresidential parents be treated fairly
- (5) that child-support rules not discourage the labor-force participation or vocational training of either parent.<sup>62</sup>

To achieve these objectives, the ALI model divides the calculation of the child support payment into three parts. The first part establishes a preliminary assessment, which is a percentage of the obligor's income and is intended to ensure that the child will have an adequate standard of living.<sup>63</sup> The preliminary assessment is composed of a base percentage derived from estimates of the cost of children (20% for 1 child) and a supplemental percentage to be determined by the rule makers (ALI uses 14% as an illustrative supplemental percentage).

The full preliminary assessment is paid only if two conditions are met. First, the noncustodial parent must retain sufficient income to maintain 150% of the poverty threshold. Second, the custodial parent must have insufficient income to meet the 150% threshold. If either of these conditions is not satisfied, then the child support payment is adjusted downward. The 150% threshold is assumed to be an appropriate measure of a minimum decent standard of living for each parent.

## **Comparison with Other Southeastern States**

Three southeastern states—North Carolina, South Carolina, and Alabama—base their schedules on the income shares model. Unlike Florida, all three use gross income rather than net income to determine child support obligations. The other three states—Tennessee, Georgia, and Mississippi—base their schedules on the percent-of-obligor model. Georgia uses gross income, Tennessee and Mississippi use net income.<sup>64</sup>

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<sup>62</sup> American Law Institute, *Principles of the Law of Family Dissolution: Analysis and Recommendations*, LexisNexis, Washington, D.C. 2002.

<sup>63</sup> Blumberg, G. G. "Balancing the Interests: The American Law Institute's Treatment of Child Support," *Family Law Quarterly*, Vol. 33, No. 1, Spring 1999, 39-110.70.

<sup>64</sup> Mississippi's guidelines refer to "adjusted gross income", but this definition of adjusted gross income is equivalent to Florida's definition of net income.

### *Child Support Payments as a Percent of Net Income*

Figure 4.1 shows the payment generated by each state’s child support schedule when the custodial parent has no income and the couple has two children. The payments in all four income shares states follow the same pattern; within the phase-in range the payment increases as a percent of the noncustodial parent’s income, but at higher incomes, the percentage declines. The payment as a percent of net income is constant in the two percent-of-obligor states that base their schedules on net income. Since Georgia’s schedule is based on gross income, the payment as a percentage of net income rises with income.

Among the four southeastern states using the income shares model, Florida’s current schedule tends to generate the highest percentage of net income devoted to child support. The proposed schedule in Chapter 2, however, results in payments that are somewhat lower at most income levels. The proposed schedule is quite similar to North Carolina’s schedule.

Figure 4.1 shows how child support payments in Florida and the six other southeastern states vary with the noncustodial parent’s net income when there are two children and the custodial parent has no income. There is no consistent relationship between the average level of child support payments and the type of model. Georgia is the highest, Mississippi is the lowest, but both states use the percent-of-obligor model. The income shares states are in the middle but so is Tennessee, another percent-of-obligor state. Furthermore, as Georgia’s schedule shows, a percent-of-obligor model does not necessarily generate child support payments that are a fixed percentage of net income.

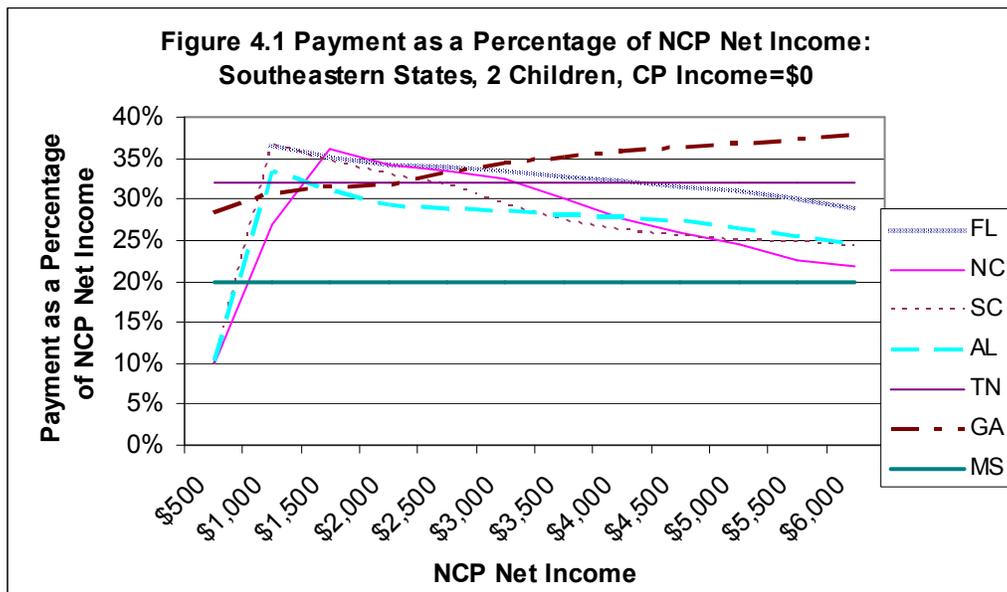
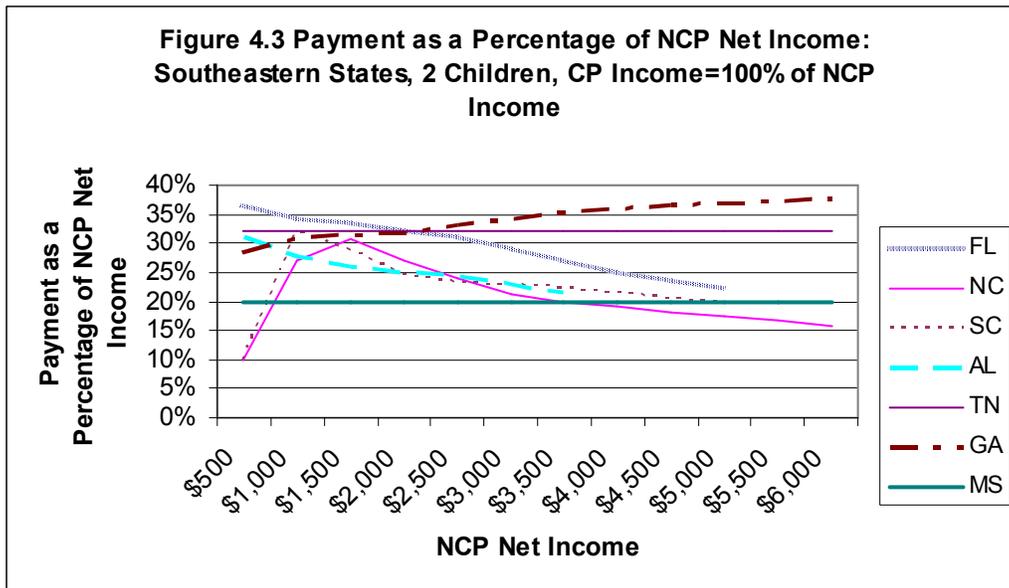
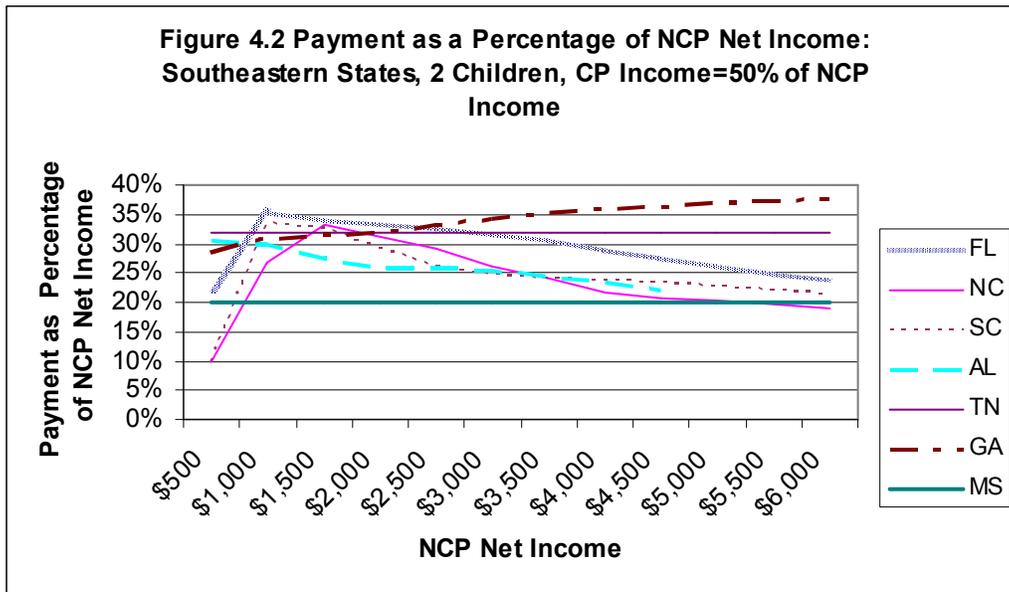


Figure 4.2 compares the child support payments across the states when the custodial parent’s income is half that of the noncustodial parent. Figure 4.3 compares the payments when the noncustodial parent and the custodial parent have equal incomes.

Figures showing the same comparisons for one child and for three children are presented in Appendix 4-1.

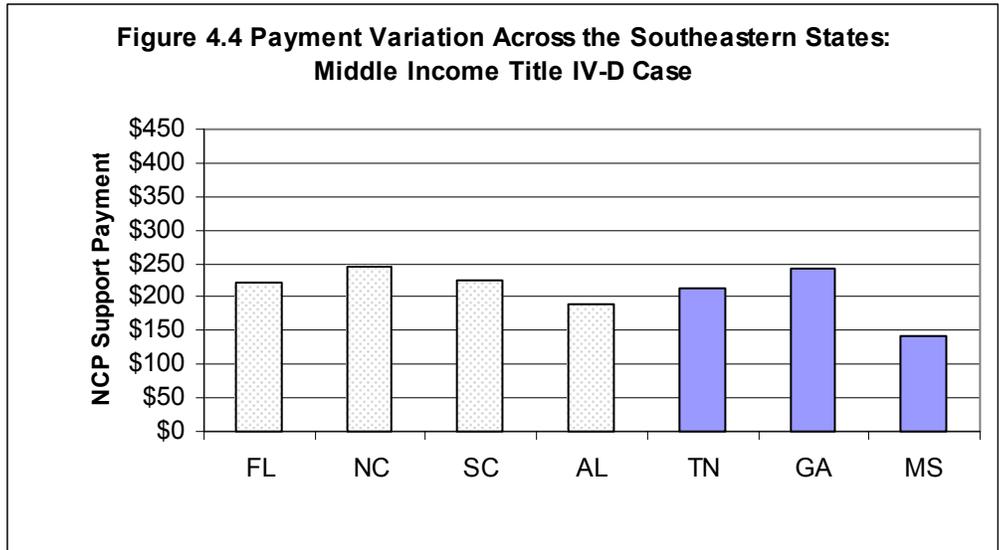


***Child Support Payments in the Typical Cases<sup>65</sup>***

Figure 4.4 compares Florida’s current child support payment for the typical Title IV-D middle-income case to the child support payment that would be generated by the schedules used in the six other southeastern states. In the Title IV-D middle-income case,

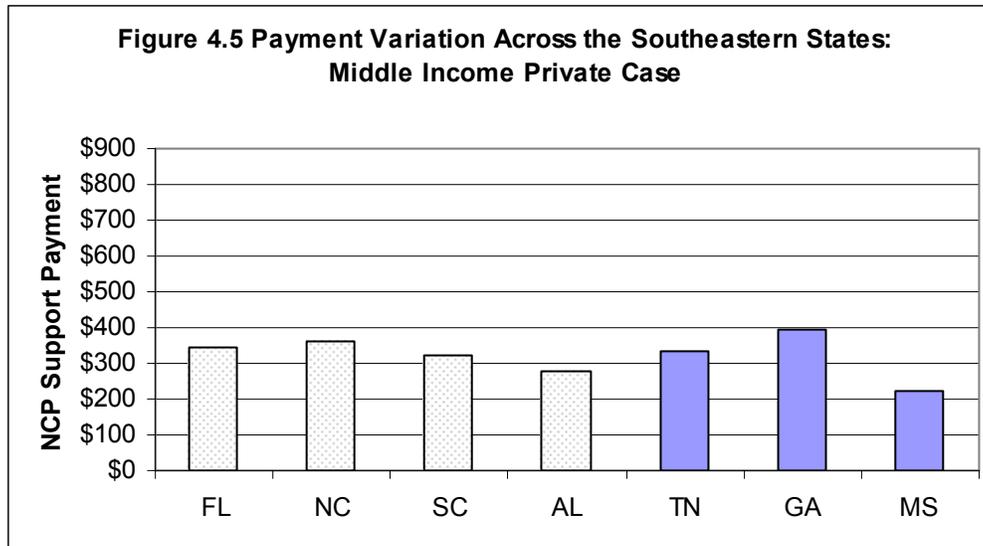
<sup>65</sup> See Appendix 1-1 for a description of how the typical cases were constructed.

the noncustodial parent has a monthly net income of \$1010, the custodial parent has a net income of \$861, and there is one child.



The payments vary from a low of \$141 per month under Mississippi’s percent-of-obligor schedule to a high of \$244 per month under both North Carolina’s income shares schedule and Georgia’s percent-of-obligor schedule. The median payment is Florida’s \$221. The mean payment is \$212, one dollar above Tennessee’s percent-of-obligor schedule. In Figures 4.4 and 4.5 the payments are shaded according to the type of model used in each state. Gray shading indicates payments generated by percent-of-obligor schedules.

Figure 4.5 compares the child support payments in the typical private middle-income case. In the private middle-income case, there is one child, the noncustodial parent has monthly net income of \$1600, and the custodial parent has net income of \$1268. The pattern is the same as in the Title IV-D case. The monthly child support payment ranges from \$224 in Mississippi to \$396 in Georgia. The median is Tennessee’s \$336, generated by the percent-of-obligor model, and the mean is South Carolina’s \$323, generated by the income shares model. The payment using Florida’s current schedule is \$345, slightly above the median. Figures 4.4 and 4.5 show again that neither type of model generates consistently higher or lower payments.



Appendix 4-2 shows the child support payments generated by these schedules for the rest of the typical cases.

### **Comparison with Alternative Models**

Here, child support payments generated by Florida’s current schedule are compared with those generated by four alternative models—the Melson formula used in Delaware, Massachusetts’s hybrid model, the American Law Institute (ALI) formula, and the cost shares model.

In calculating the noncustodial parent’s obligation, the obligation is assumed to be independent of the age of the children and of the amount of visitation.<sup>66</sup> The cost-shares obligations do not fully reflect tax benefits that may be available to the parents and the ALI obligations are computed using ALI’s original formulation, which uses the 1996 federal poverty thresholds.<sup>67</sup> Finally, cost shares obligations are available only for average gross income of at least \$1000 per month.

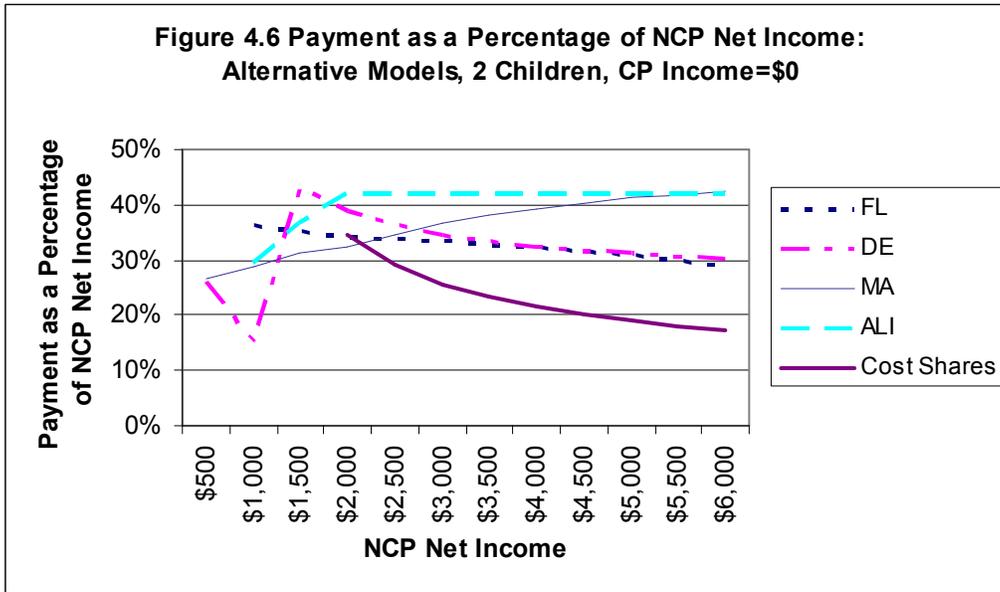
#### ***Child Support Payments as a Percent of Net Income***

Figure 4.6 shows the child support payment generated by each model when the custodial parent has zero income and the couple has two children. In this example, the ALI model resembles a percent-of-obligor model; the child support payment constitutes a constant 42 percent of the noncustodial parent’s net income. In this case, the

<sup>66</sup> It is assumed that the children are between the ages of 0-12; assuming otherwise alters the obligations derived from Massachusetts’s schedule. Also, it is assumed that visitation by the noncustodial parent consists of less than 110 overnights per year; assuming otherwise would alter the obligations derived from Delaware’s model.

<sup>67</sup> The sharing of tax benefits for children is an important element of the cost shares model. Although it is unique to cost shares, it could be incorporated into other models without adopting the cost shares methodology. See Chapter 5 for a further discussion.

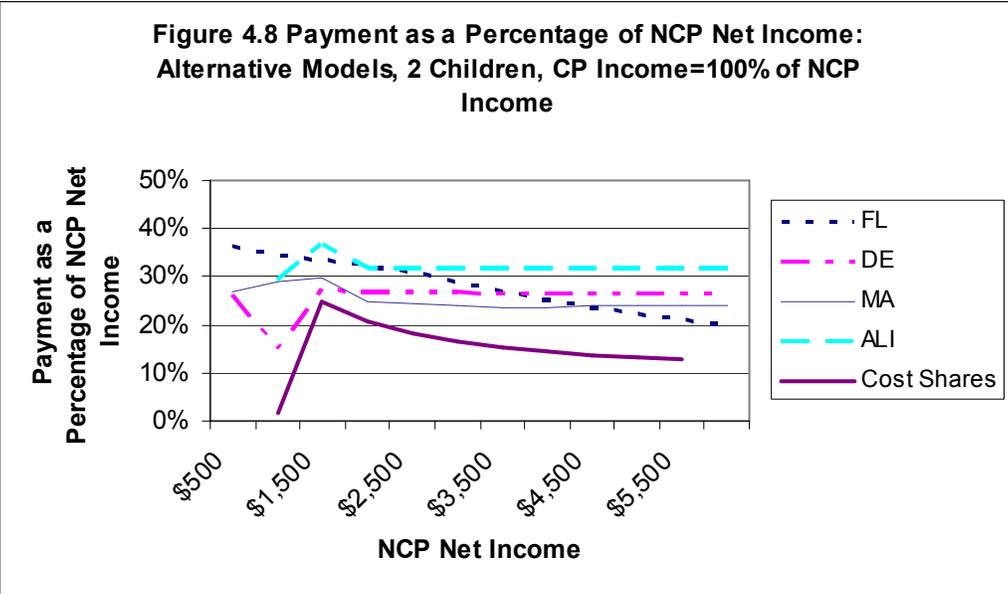
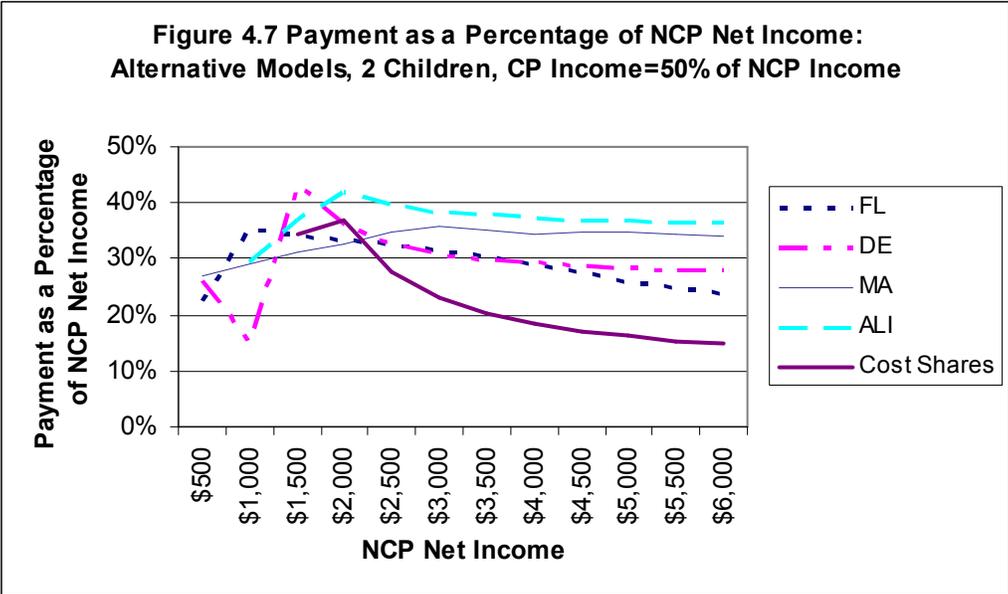
Massachusetts model is also a pure percent-of-obligor model, but the percentage increases as income increases.<sup>68</sup>



The child support payments generated by Florida’s current schedule are approximately in the middle of this group. For incomes above \$3,000, Florida’s payments are very similar to Delaware’s, and Delaware’s model is essentially a percent-of-obligor model at higher incomes. The two models generating the highest and lowest payments, ALI and cost shares, both resemble the income shares model. This shows again that the particular model chosen does not determine the level of child support payments.

Figure 4.7 compares the child support payments as a percent of net income for two children when the custodial parent’s income is equal to half that of the noncustodial parent. Figure 4.8 compares the payments when the noncustodial parent and the custodial parent have the same income. Similar figures for one child and for three children are presented in Appendix 4-3. The rank ordering of the models based on the average level of payments generated is similar in all the comparisons, and in all the models the child support payment as a percent of the noncustodial parent’s net income typically decreases as net income increases in all the models.

<sup>68</sup> Massachusetts, like Georgia, bases its child support payments on the gross income of the noncustodial parent. Massachusetts’s percentage increases with income while Georgia’s is constant. However, even a constant percent of gross income results in child support payments that increase as a percentage of net income.



***Child Support Payments in the Typical Cases***

Figure 4.9 compares the child support payment generated by Florida’s current schedule for the typical Title IV-D middle-income family with the child support payment generated by each of the alternative schedules. Once again, the ALI model and the cost shares models generate the highest and lowest payments. The payments generated by Florida’s current schedule are the median of this group.

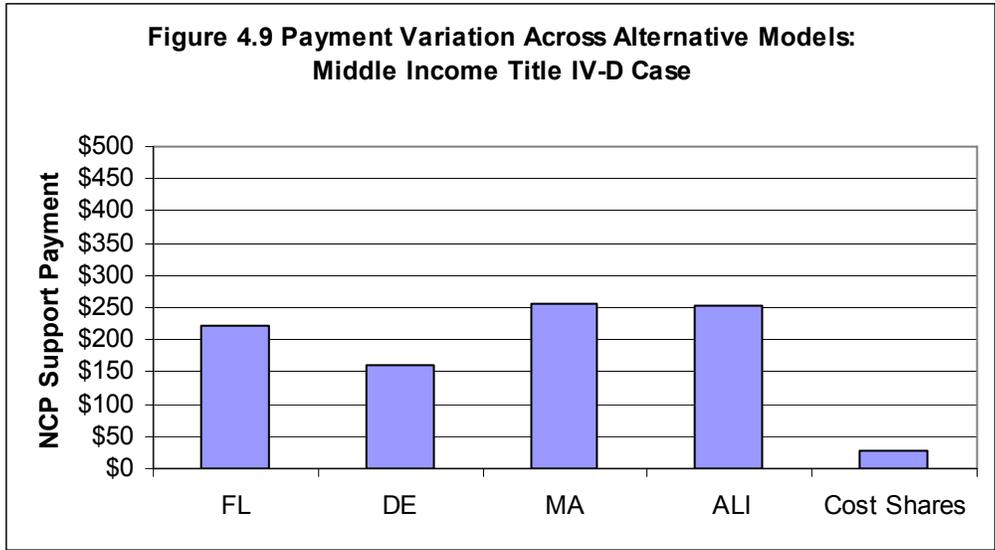
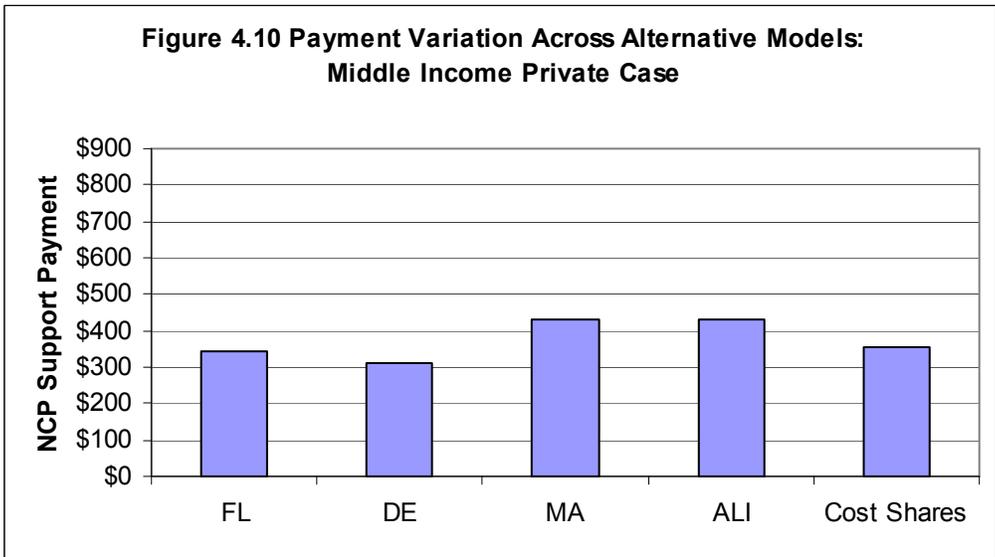


Figure 4.10 compares the child support payments for the typical private middle-income case. In this case, the payments generated by the different schedules are much closer than at lower income levels. Delaware’s schedule generates the lowest payment and Florida’s schedule is the second lowest. The choice of model does not determine the level, or even the pattern, of child support payments.



The support payments generated by these schedules for the other typical cases are shown in Appendix 4-4.

### **Effects of Variation in Custodial Parent Income**

The income shares model purports to determine a total support obligation that is shared between the two parents in proportion to their respective incomes. However, the

real purpose of the model is to determine a child support payment to transfer from the noncustodial parent to the custodial parent's household. There is no enforcement agency that monitors the allocation of income or expenditure within the custodial parent's household. The custodial parent's share of the total obligation is simply assumed to be spent on the child or children.

Algebraically, the income shares model is quite similar to the percent-of-obligor model. The child support payment generated by the percent-of-obligor model can be expressed as:

$$\text{Payment} = \text{Percentage}_{(\text{Number of Children, NCP Income})} * \text{NCP Income}$$

The payment is derived by multiplying the noncustodial parent's income by a percentage that may vary with the number of children and with the noncustodial parent's income.

The child support payment generated by the income shares model can be expressed as:

$$\text{Payment} = \text{Percentage}_{(\text{Number of Children, NCP Income, CP Income})} * \text{NCP Income}$$

The only difference between the two models is that the percentage by which the noncustodial parent's income is multiplied in the income shares model depends on the income of the custodial parent as well the number of children and the income of the noncustodial parent.

The algebraic expressions suggest that the only difference between the models is the responsiveness of the payment to changes in the custodial parent's income. The issue of interest then becomes how responsive the payment is to changes in the custodial parent's income. By design, the percent-of-obligor model is completely unresponsive. As the following examples show, the responsiveness of the income shares model is quite small.<sup>69</sup>

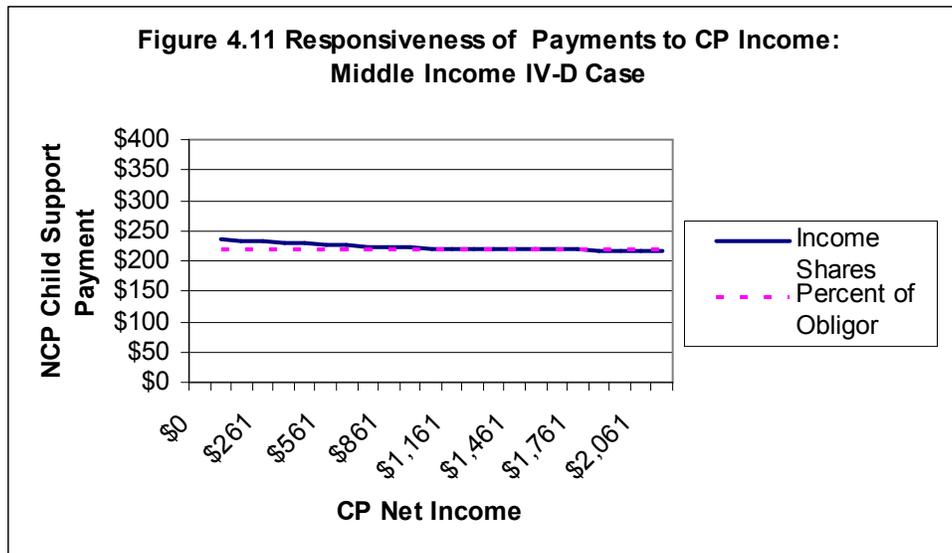
In the typical Title IV-D middle-income case depicted in Figure 4.11, the noncustodial parent has a monthly net income of \$1010, the custodial parent has an income of \$861, and there is one child. The child support payment generated by Florida's current schedule is \$221 a month. As the custodial parent's income decreases to zero, the child support payment increases from \$221 to \$235, a maximum \$14 a month increase corresponding to a 100 percent decrease in the custodial parent's income. As the custodial parent's income increases from \$861 to \$1761, the child support payment

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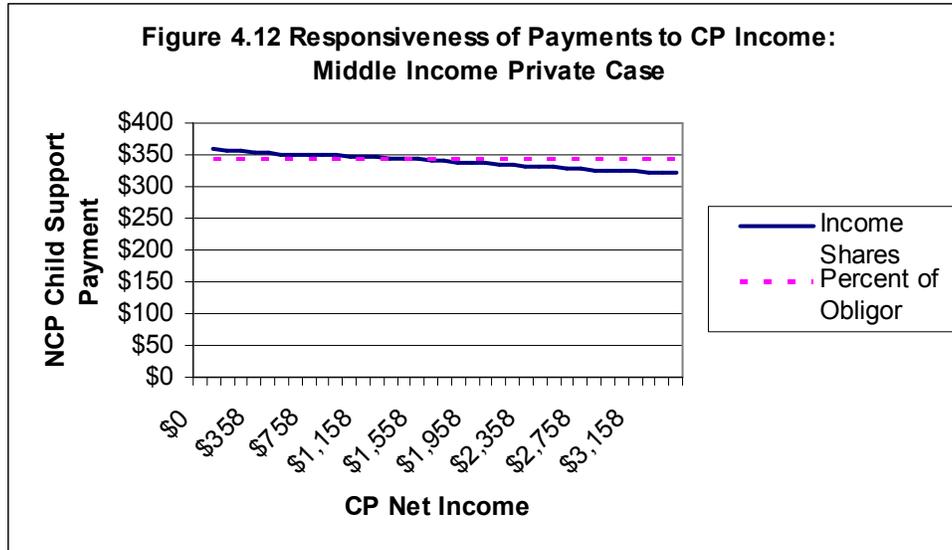
<sup>69</sup> Economists use the concept of elasticity to show the degree of responsiveness in one variable to changes in another variable. The elasticity of the child support payment with respect to changes in the custodial parent's income equals the ratio of the percentage change in the payment to the percentage change in income. Elasticity numbers range from zero, indicating no responsiveness, to infinity, indicating maximum responsiveness. The elasticity of the income shares model is typically 0.05 or lower, which is only marginally higher than the zero elasticity of the percent-of-obligor model.

decreases from \$221 to 218, a decrease of \$3 a month for a more than 100 percent increase in income.

Thus, the payment generated by the income shares model varies by less than five percent in either direction (except at zero income where the difference is just under six percent) even though the custodial parent's income varies by 100 percent. For most child support cases, a five percent change in the support payment amounts to only a few dollars per month. This is less than the amount required for a modification of a child support order in Florida.



In the typical private middle-income case, the noncustodial parent's income is \$1600, the custodial parent's income is \$1258, and there is one child. The support payment generated by Florida's current schedule is \$345 a month. Figure 4.12 shows that as the custodial parent's income decreases to zero, the support payment increases by \$12 to \$357, a 4.17 percent increase. As the custodial parent's income increases by a little more than 100 percent from \$1258 to \$2558, the child support payment decreases by \$16 to \$329, a 4.97 percent reduction. Again, even though the custodial parent's income varies by 100 percent or more, the child support payment varies by less than five percent.



While in theory the income shares model produces an obligation that reflects the income of both parents, the actual child support payment is not very responsive to variations in the custodial parent’s income. The child support payments generated by the alternative models—Delaware, Massachusetts, ALI, and cost shares—are often more responsive to the custodial parent’s income than are the payment generated by the income shares model.

Figures 4.13 and 4.14 illustrate the responsiveness of Florida’s income shares approach compared to the other four models. Figure 4.13 shows how the child support payment in the typical Title IV-D middle-income case varies when the custodial parent’s income increases or decreases from an initial value of \$861. The payment generated by Delaware’s schedule is invariant to decreases in the custodial parent’s income. When the custodial parent’s income increases by more than 100 percent (to \$1761), the child support payment generated by Delaware’s schedule decreases by more than 50 percent, from \$160 to \$78. The payment generated by the Massachusetts model shows a similar pattern, except the decrease in the payment starts at a higher income level. The payment generated by the cost shares model is constant at \$28 while the ALI payment is constant at \$253. The payment generated by Florida’s schedule shows only a very small decrease.

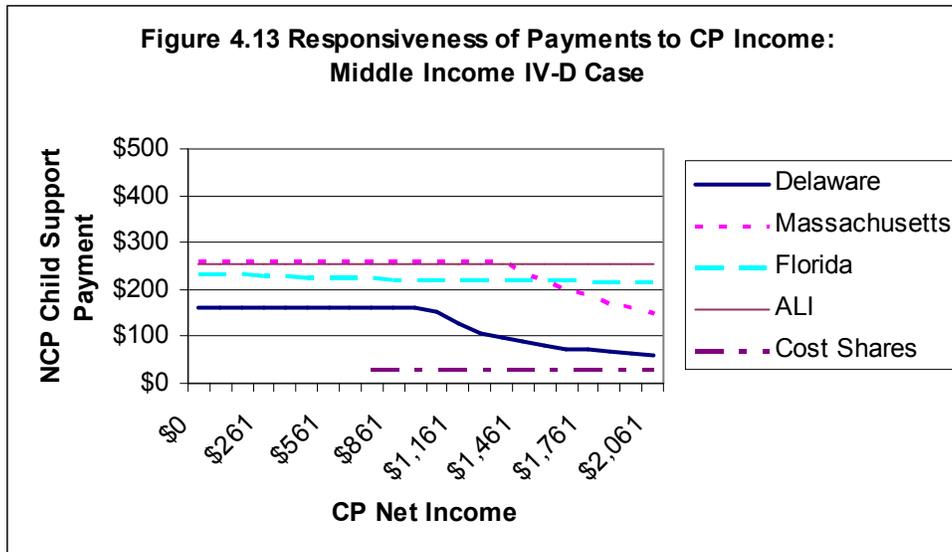
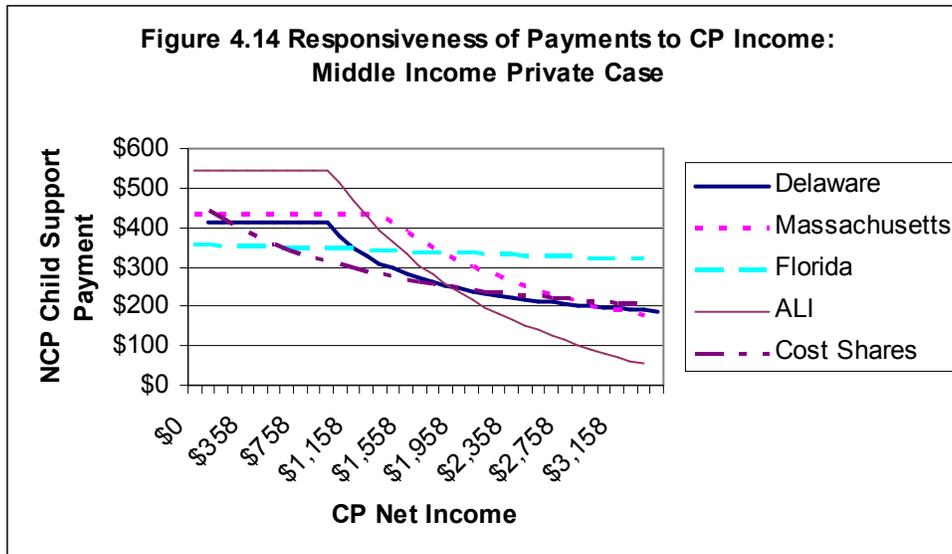


Figure 4.14 shows how the child support payment changes in the typical private middle-income case when the custodial parent’s income increases or decreases from an initial value of \$1258. Delaware’s schedule generates a payment that increases from \$312 to \$414, almost one-third higher, when income decreases to zero and a payment that is almost one-third lower when income increases by 100 percent. Though Delaware’s child support payments are quite responsive to custodial parent income, the Melson formula is fairly complex and to some extent, arbitrary. The payments generated by all the models decline when the custodial parent’s income increases, with the ALI model generating the most dramatic decrease.

The Massachusetts model is more responsive to changes in the custodial parent’s income than the income shares model when the custodial parent’s annual net income is greater than \$16,704.<sup>70</sup> When the custodial parent’s income in the typical Title IV-D middle-income case increases from \$861 to \$1761, the child support payment decreases from \$257 to \$185—a decrease of 28 percent for a more than 100% income increase. In the typical private middle-income case, when custodial parent income increases from \$1258 to \$2558, the child support payment decreases by 44 percent from \$432 to \$240.

<sup>70</sup> When the custodial parent’s annual net income is less than \$16,704, the Massachusetts schedule is a pure percent-of-obligor model, and the child support payment is invariant to changes in the custodial parent’s income.



In theory, the income shares model determines a child support obligation for each parent. In practice, the model imposes a legally enforceable child support obligation on the noncustodial parent, but imposes no enforceable obligation on the custodial parent. The model may impose a moral obligation on the custodial parent or it may create a perception that child support payments are affected by both parents' incomes. In reality, the actual degree of responsiveness is negligible.

This small degree of responsiveness is accompanied by significant additional complexity and lack of transparency in the determination of child support payments.<sup>71</sup> Including the custodial parent's income in the calculation of the child support payment complicates the determination of child support. It also creates strange anomalies and problems especially in the treatment of low-income parents.

If, as a matter of policy, it is important to make the noncustodial parent's payment depend on the custodial parent's income, the alternative models—Melson (Delaware), hybrid (Massachusetts), ALI, and cost shares—all provide greater responsiveness than the income shares model. Though of these models are more complex than the percent-of-obligor model, the hybrid model is the simplest of the alternatives. This is not surprising as it is fundamentally a percent-of-obligor model with a credit against the child support payment that increases when the custodial parent's income increases.

### **Recommendations on Alternatives to Florida's Current Child Support Model**

A claimed advantage of the income shares model is that the child support obligations it generates reflect actual expenditures on children in intact households. However, other models can also be based on available economic data. Moreover, the

<sup>71</sup> This complexity may be particularly troublesome for *pro se* litigants who constitute the majority of Title IV-D cases.

income shares models used in different states, along with the alternatives to the income shares model, are based on widely different estimates of expenditures on children. These estimates are quite sensitive to model specification, definition of variables, and choice of data set. Finally, the choice of a child support model does not by itself determine the level of child support payments—any model can be adjusted to generate any desired level of child support.

A second claimed advantage of the income shares model is that it bases the child support payment on the incomes of both the noncustodial and the custodial parents. However, as shown above, the model is actually not very responsive to changes in the custodial parent’s income. A small degree of responsiveness is bought at the cost of significant complexity and lack of transparency.

This suggests that simplicity and greater transparency are reasonable criteria for choosing a child support model. The percent-of-obligor model is the simplest of the alternative models. Table 4.4 displays an example of a percent-of-obligor child support schedule. The child support payments are generated by applying the appropriate percentage to the noncustodial parent’s net income. The percentages are derived from the same estimates of expenditures on children used to create the proposed schedule of child support payments in Chapter 2.<sup>72</sup>

<b>Table 4.4 Child Support Payments in Percent-of-Obligor Model</b>		
One Child	Two Children	Three Children
19%	31%	43%

An alternative schedule is shown in Table 4.5. This schedule allows the child support payment to vary not only with the number of children but also with the noncustodial parent’s income. These percentages are derived from the same estimates of expenditures on children.

<b>Table 4.5 Child Support Payments in Percent-of-Obligor Model with Percentage Varying by Noncustodial Income</b>			
	<b>Number of Children</b>		
<b>Monthly Net Income</b>	<b>1</b>	<b>2</b>	<b>3</b>
0-750	Discretionary		
751-1,500	\$180+20%	\$290+35%	\$370+50%
	(% refers to all dollars over \$750)		
1,501-4,000	\$330+13%	\$552+21%	\$745+30%
	(% refers to all dollars over \$1,500)		
4,001-12,000	\$655+6.5%	\$1,077+11%	\$1,495+15%
	(% refers to all dollars over \$4,000)		

<sup>72</sup> From the proposed income shares schedule in Chapter 2, the average child support payments for incomes between \$1500 and \$4000 for each number of children were calculated. The percentages in Table 4.4 are derived from these average payments. The \$1500 threshold avoids basing the percentages on cases where both parents are in poverty. Moreover, this income range includes 82 percent of the cases in the subsample.

### *Recommendation for a Percent-of-Obligor Model*

- Consider replacing the current schedule based on the income shares model with a schedule based on the percent-of-obligor model.

The significant advantage to the percent-of-obligor model is its simplicity and transparency. Child support payments generated by a percent-of-obligor model do not, however, reflect changes in the custodial parent's income. This is considered by some to be a significant disadvantage of the percent-of-obligor. If responsiveness to the custodial parent's income is important, a hybrid model similar to that used in Massachusetts offers an attractive alternative to the percent-of-obligor model.

A hybrid model takes the custodial parent's income into account, and does so more effectively than the income shares model. Such a model would have much of the simplicity of the percent-of-obligor model, but allow the child support payment to reflect the custodial parent's income, at least after a threshold income level is reached. The basic form of such a hybrid model is:

$$\text{Gross Payment} = \text{Percentage} * \text{NCP Income}$$

$$\text{Net Payment} = \text{Gross Payment} - \text{Credit}$$

$$\text{Credit} = [\text{CP Excess Income}/(\text{CP Income} + \text{NCP Income})]*\text{Gross Payment}$$

CP Excess Income is the amount of the custodial parent's income that exceeds an amount necessary to provide a minimally adequate standard of living.<sup>73</sup>

In a relatively simple manner, this formula adjusts the child support payment whenever the custodial parent's income exceeds the threshold amount by providing a credit against the noncustodial parent's child support payment. The formula retains the simplicity of the percent-of-obligor model by applying a simple percentage to the noncustodial parent's income to determine the basic support obligation.

### *Alternate Recommendation for a Hybrid Model*

- If as a matter of policy it is desired that the child support payment reflect the income of the custodial parent as well as the income of the noncustodial parent, consider adopting a hybrid model similar to that used in Massachusetts.

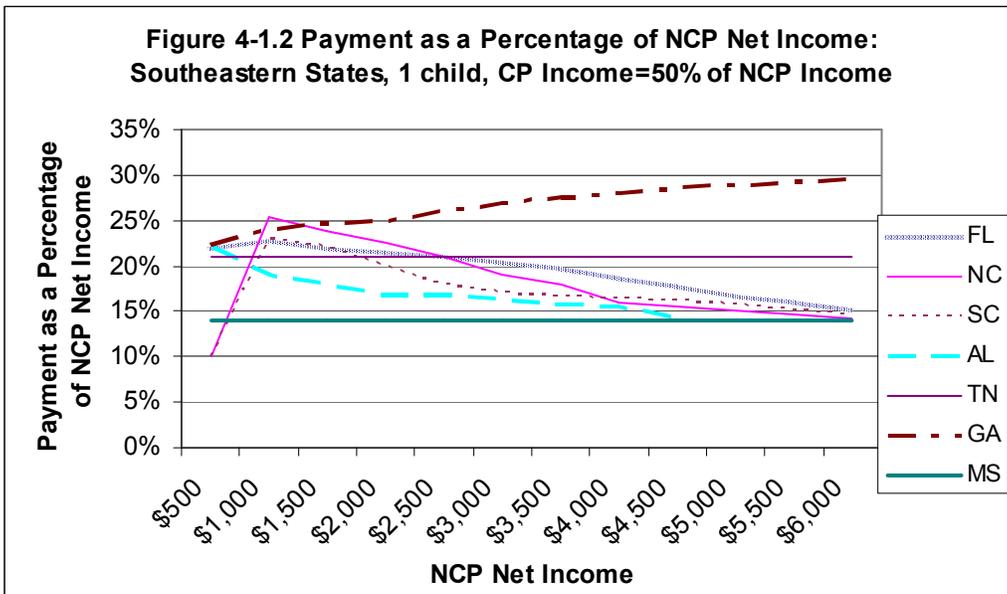
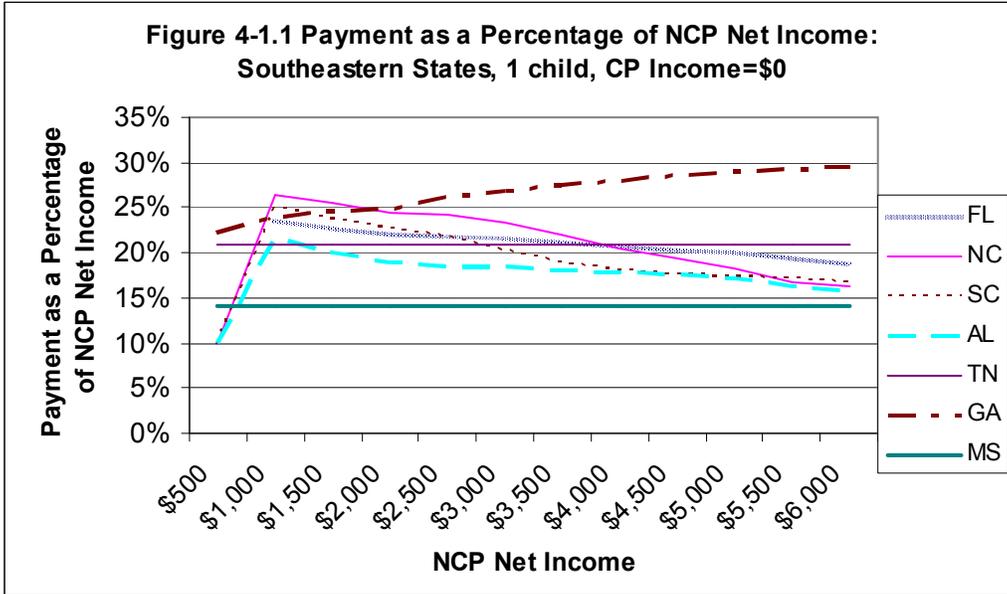
The percentages displayed in Tables 4.4 and 4.5 are intended to be illustrative only. Specific percentages and thresholds to be used should Florida adopt one of these models, along with other details such as the self-support reserve and a credit for shared custody, can be developed based on the same economic data used for the proposed income shares schedule in Chapter 2.

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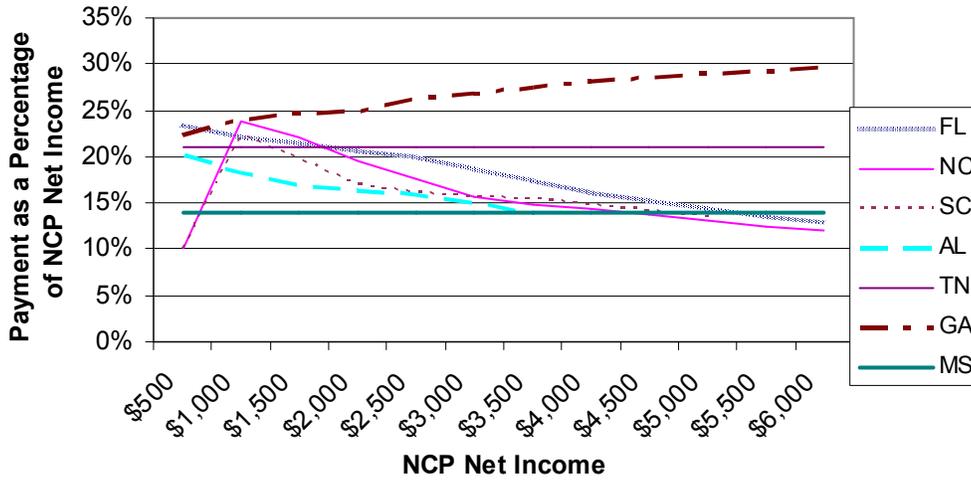
<sup>73</sup> The formula is similar to that used in Massachusetts, but the credit here is smaller to reduce over-reliance on the custodial parent's income. In the Massachusetts formula, excess income is the amount of annual gross income in excess of \$20,000. The Massachusetts formula also defines the denominator of the credit as the sum of the custodial parent's *excess* income and the noncustodial parent's total income.

## Appendix 4-1

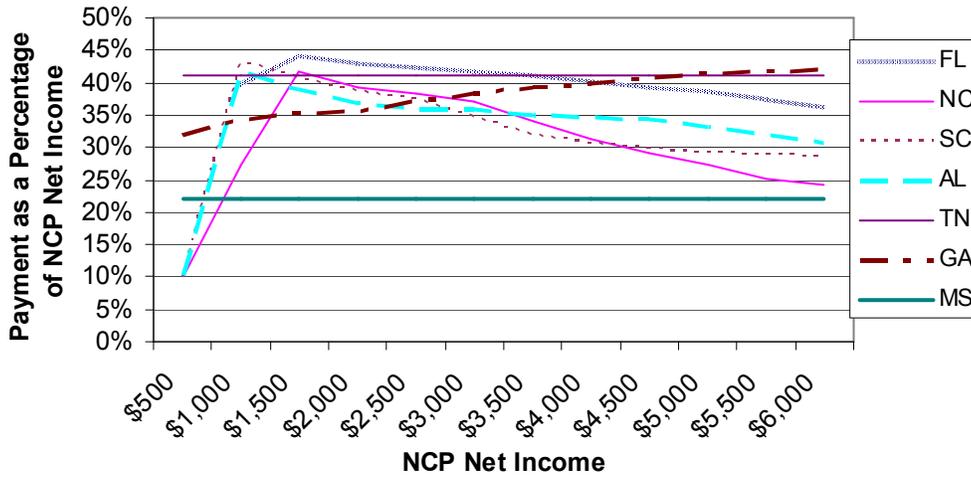
### Child Support Payments with One and with Three Children Generated by Schedules in Southeastern States



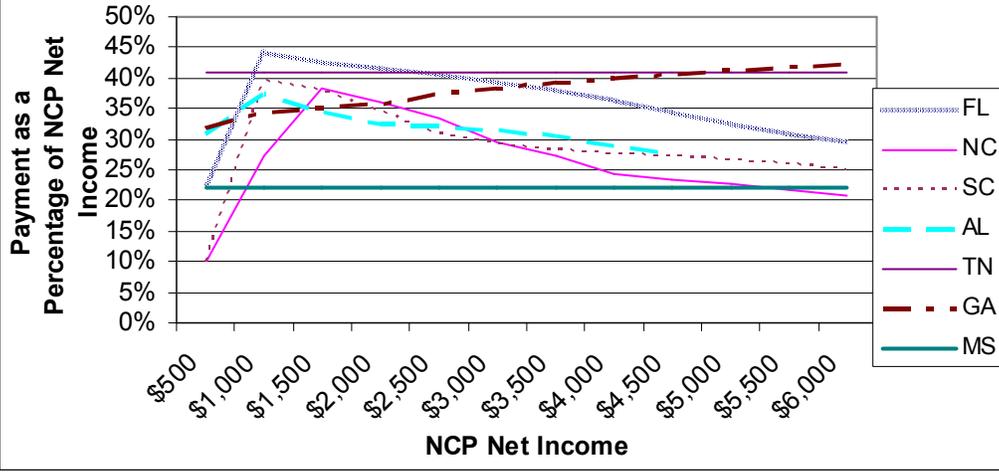
**Figure 4-1.3 Payment as a Percentage of NCP Net Income:  
Southeastern States, 1 child, CP Income=100% of NCP Income**



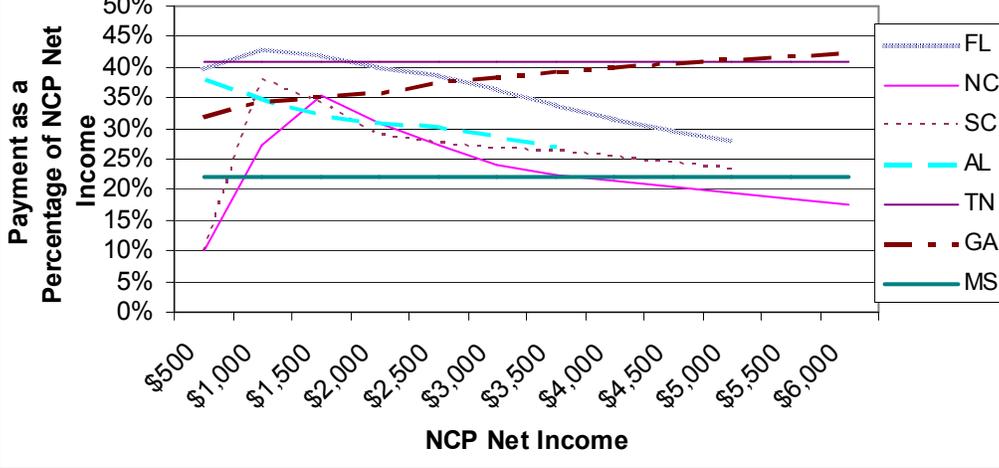
**Figure 4-1.4 Payment as a Percentage of NCP Net Income:  
Southeastern States, 3 Children, CP Income=\$0**



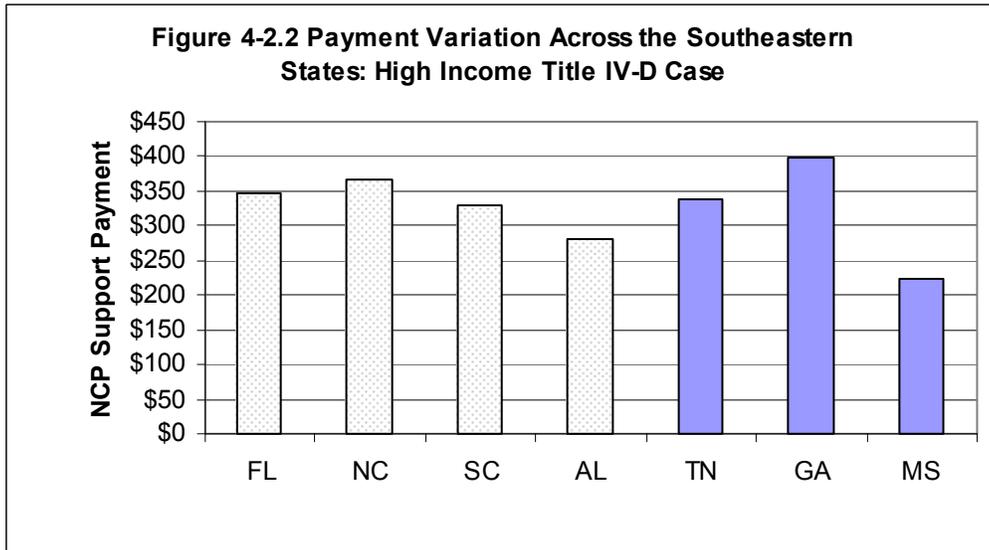
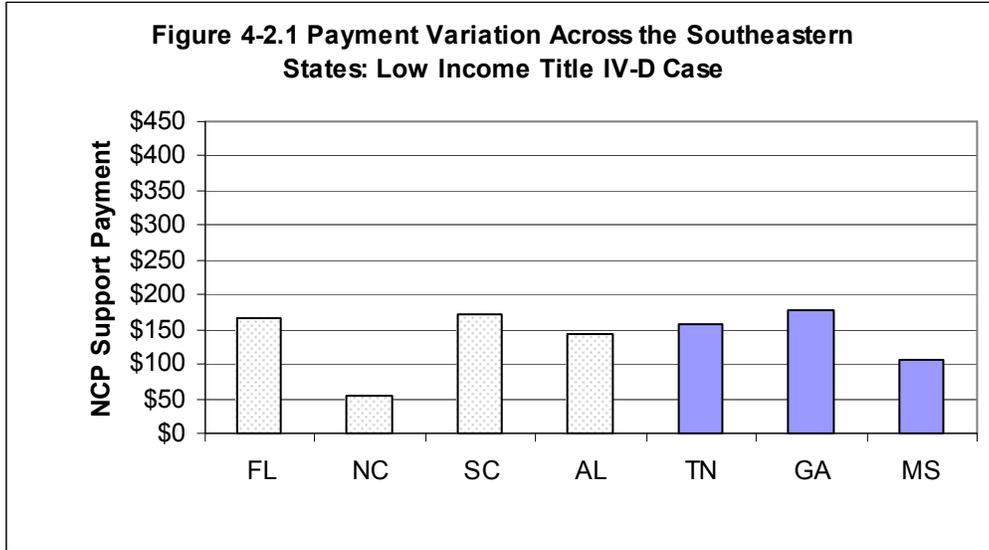
**Figure 4-1.5 Payment as a Percentage of NCP Net Income:  
Southeastern States, 3 children, CP Income=50% of NCP  
Income**



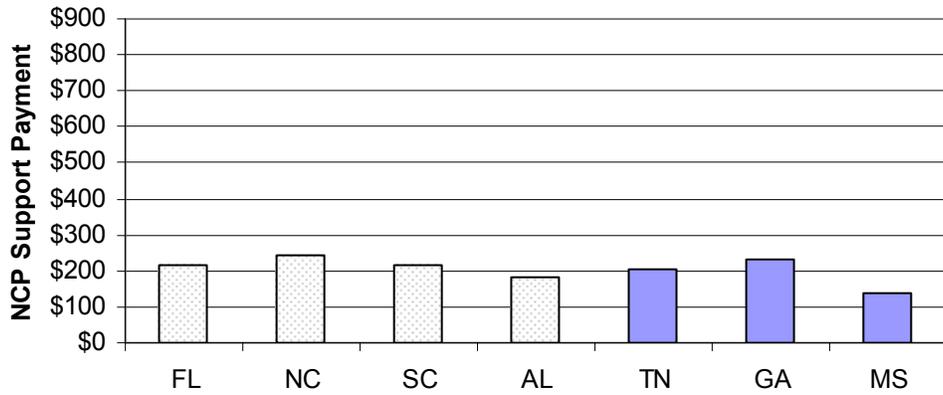
**Figure 4-1.6 Payment as a Percentage of NCP Net Income:  
Southeastern States, 3 Children, CP Income=100% of NCP  
Income**



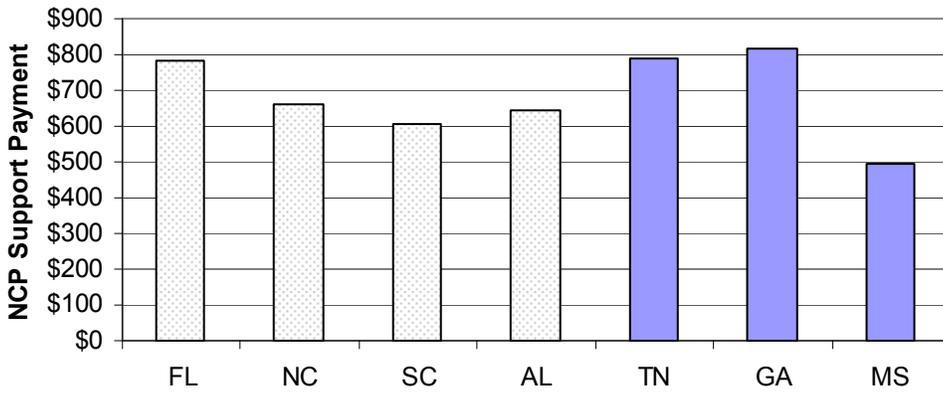
**Appendix 4-2**  
**Child Support Payments for Typical Low and High-Income**  
**Cases Generated by Schedules in Southeastern States**



**Figure 4-2.3 Payment Variation Across the Southeastern States: Low-Income Private Case**

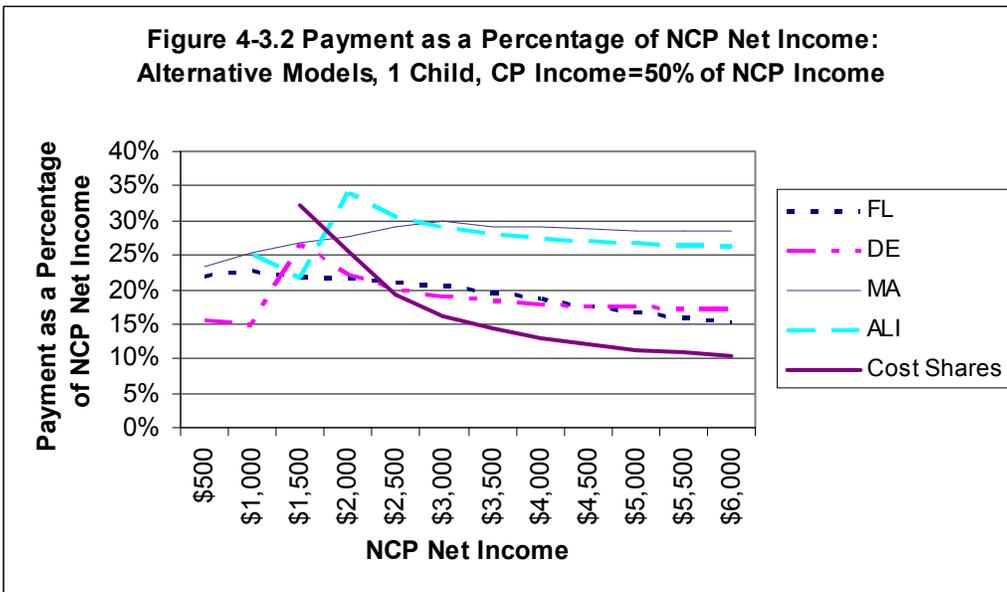
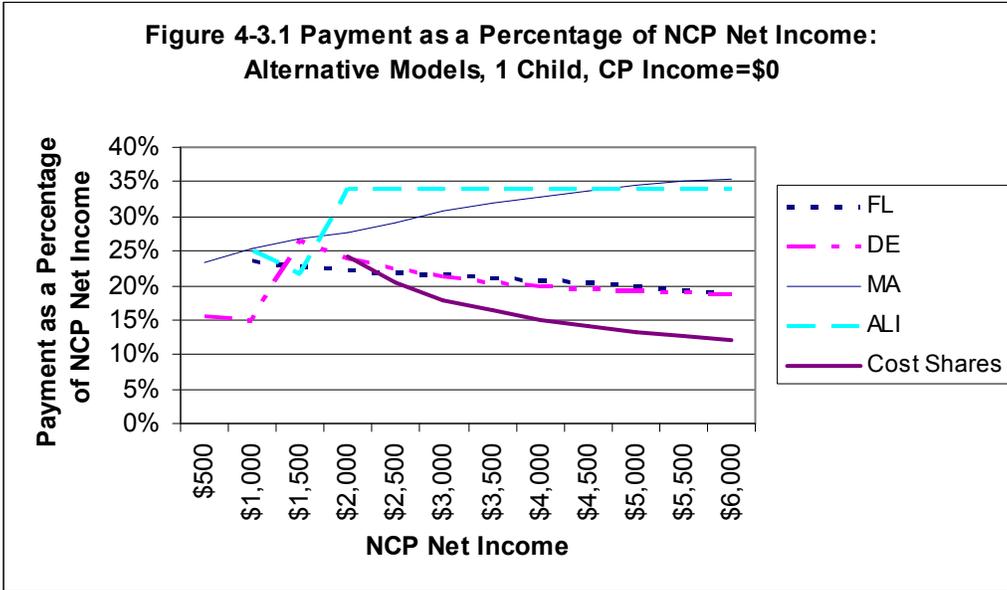


**Figure 4-2.4 Payment Variation Across the Southeastern States: High Income Private Case**

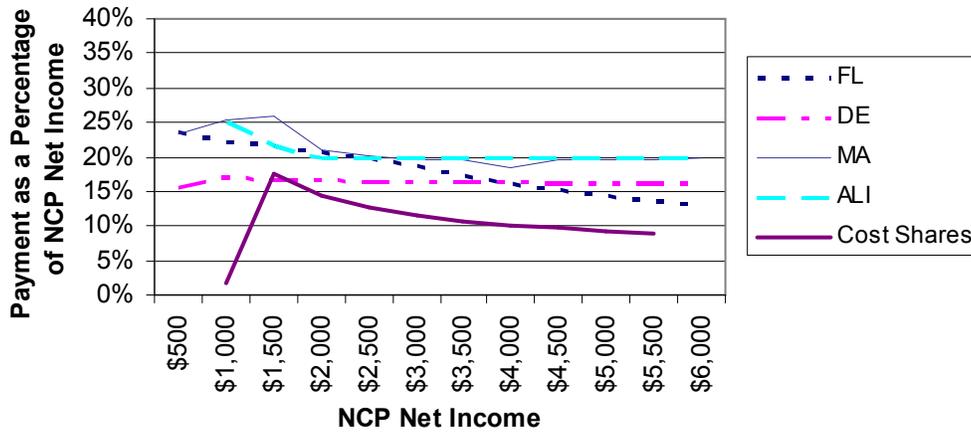


### Appendix 4-3

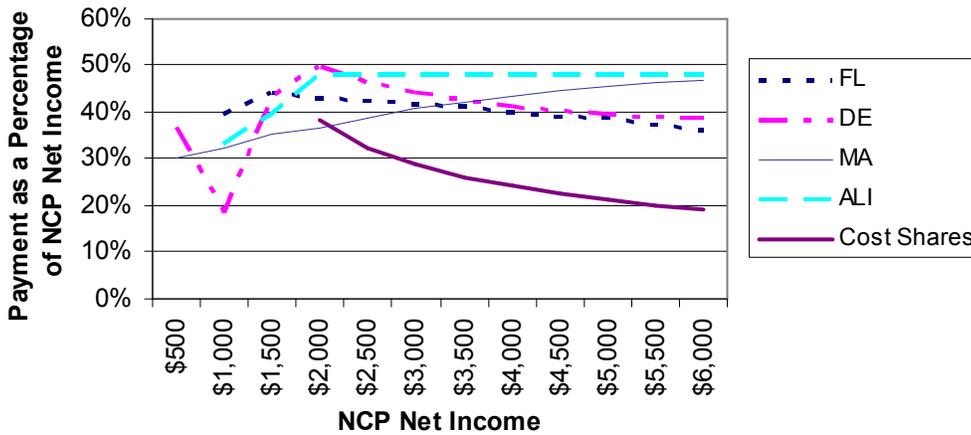
## Child Support Payments with One and with Three Children Generated by Alternative Models



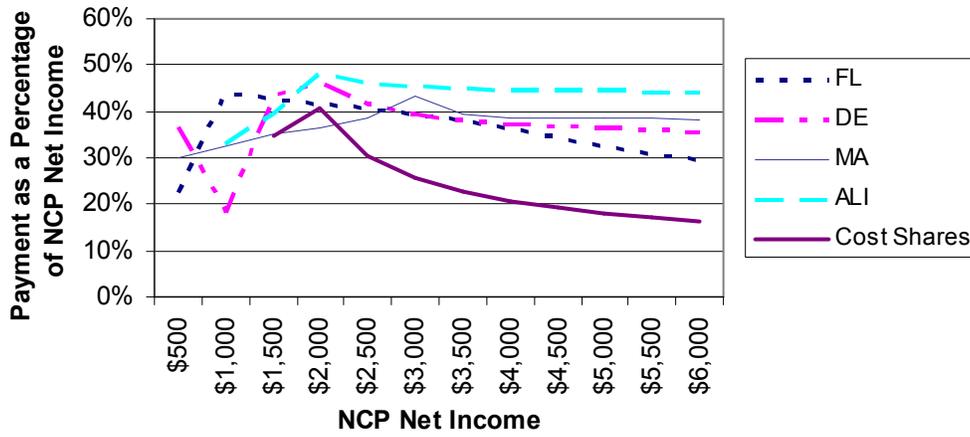
**Figure 4-3.3 Payment as a Percentage of NCP Net Income:  
Alternative Models, 1 Child, CP Income=100% NCP Income**



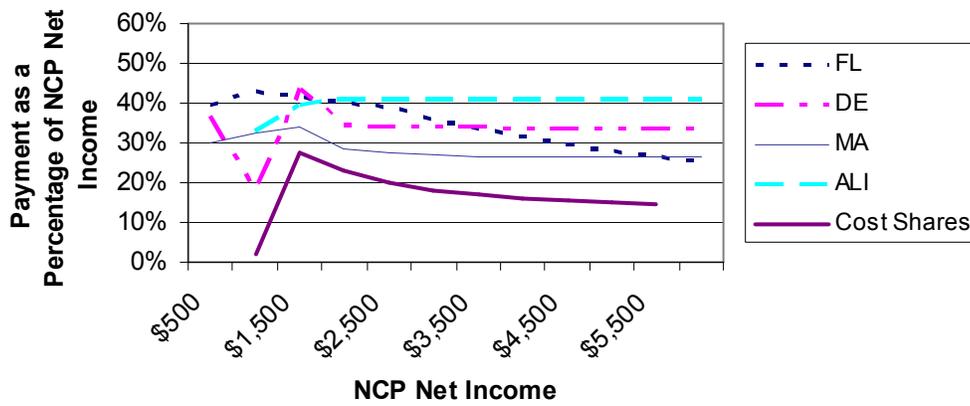
**Figur 4-3.4 Payment as a Percentage of NCP Net Income:  
Alternative Models, 3 Children, CP Income=\$0**



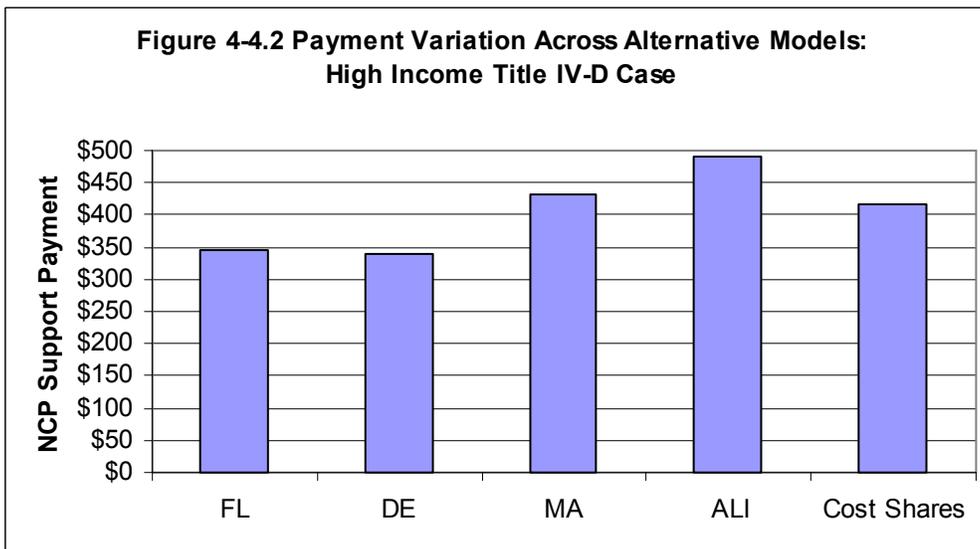
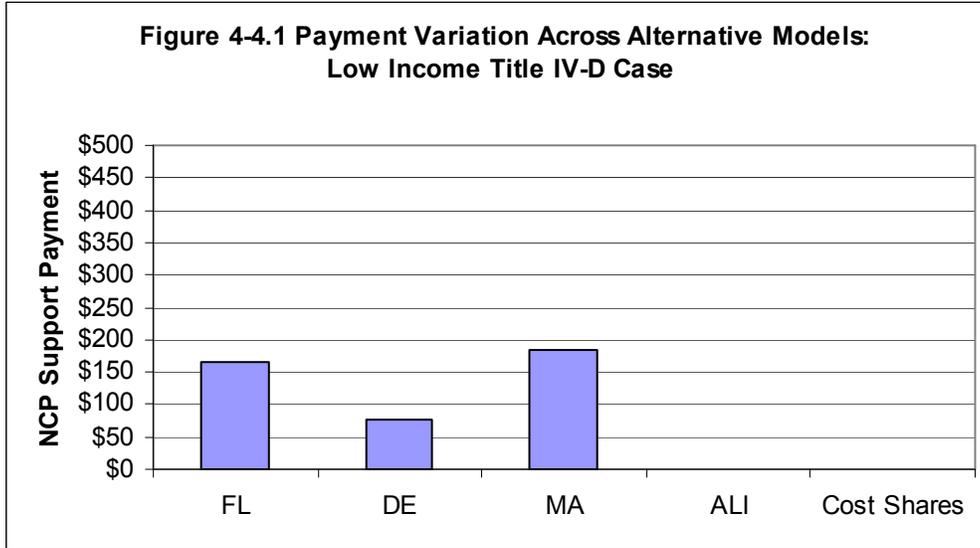
**Figure 4-3.5 Payment as a Percentage of NCP Net Income:  
Alternative Models, 3 Children, CP Income=50% of NCP Income**



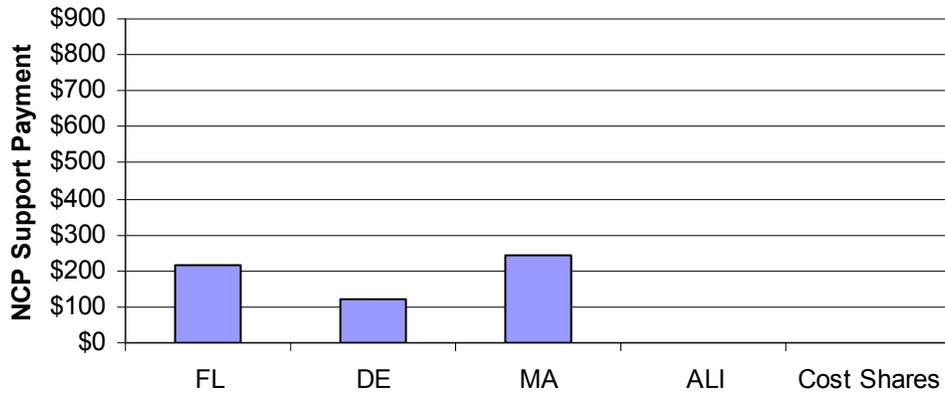
**Figure 4-3.6 Payment as a Percentage of NCP Net Income:  
Alternative Models, 3 Children, CP Income=100% of NCP  
Income**



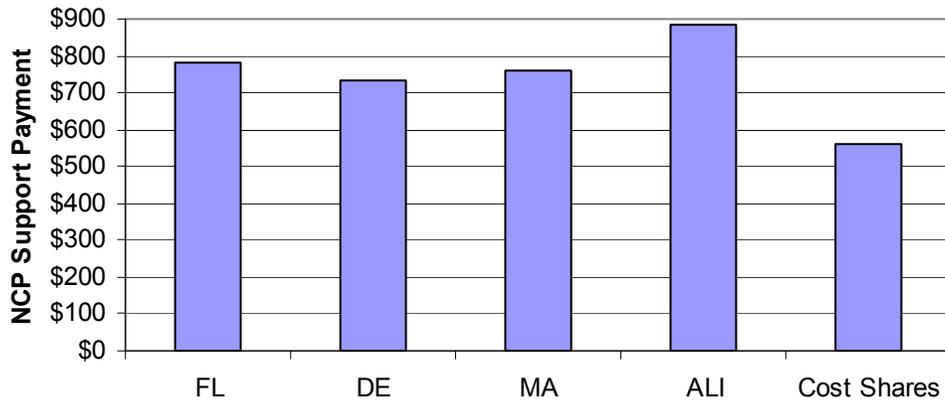
## Appendix 4-4 Child Support Payments for Typical Low and High-Income Cases Generated by Alternative Models



**Figure 4-4.3 Payment Variation Across Alternative Models:  
Low Income Private Case**



**Figure 4-4.4 Payment Variation Across Alternative Models:  
High Income Private Case**



## Chapter 5

# The Treatment of Tax Benefits and Childcare Expenses in Child Support Guidelines

The treatment of the tax benefits of having children and the treatment of childcare expenses are two additional issues that are pertinent in establishing child support guidelines. These two issues are addressed in this chapter.

### Tax Benefits of Children

Florida's current guidelines do recognize the existence of some tax benefits by reducing the allowable childcare expense by 25% to compensate for the federal childcare tax credit.<sup>74</sup> However, the tax benefits of having a child are not limited to just the childcare tax credit; the presence and number of children also create other tax effects. In some cases the government actually pays the custodial parent for having a child. By only recognizing the childcare credit, the current guidelines treat different tax benefits inconsistently.

For instance, by filing as a head of household, the custodial parent pays a lower tax rate and claims a higher standard deduction than if filing as a single taxpayer. The presence of children generates a tax saving relative to what custodial parents would be required to pay if they had single status. In addition, low-income parents may be eligible for the Earned Income Tax Credit (EITC), which is a refundable credit that increases with the number of children. The current guidelines ignore these tax issues and therefore may not reflect actual expenditures on children. To more appropriately determine the "cost" of a child, these tax benefits should be offset against the calculated costs.

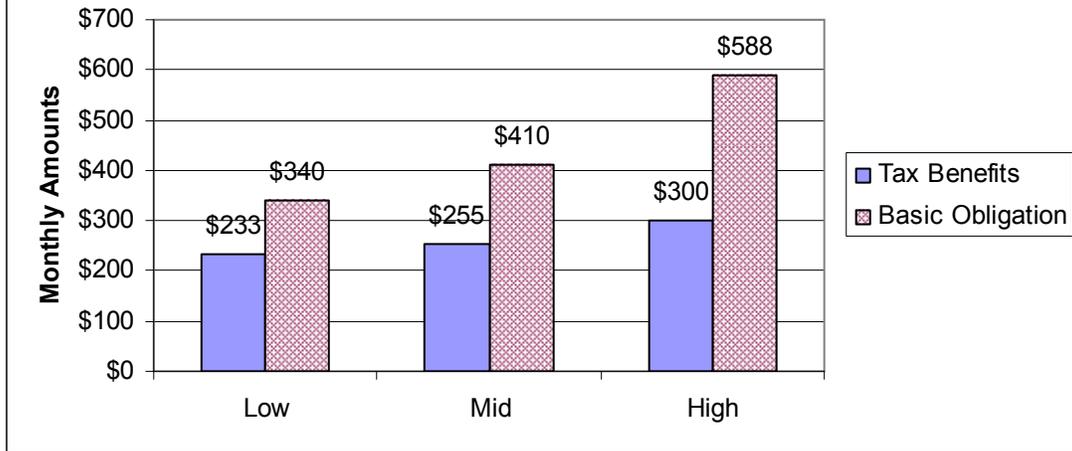
Figures 5.1 and 5.2 illustrate the amount of the tax break or payment that the custodial parent in each of the typical cases receives by filing as a head of household with dependents versus filing as a single taxpayer with no dependents.<sup>75</sup> As Figure 5.1 shows, the tax benefit is substantial relative to the basic obligation.

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<sup>74</sup> The allowance for the childcare tax credit is included in the original income shares model in Williams (1987). The actual amount of the childcare deduction varies greatly among families, but 25% is used in the child support guidelines as an approximation.

<sup>75</sup> The tax benefit or government payment for all six typical cases is computed using the standard deduction. In the high-income private case, this may be less appropriate as families at this income level may itemize deductions. Nevertheless, the standard deduction is used for simplicity.

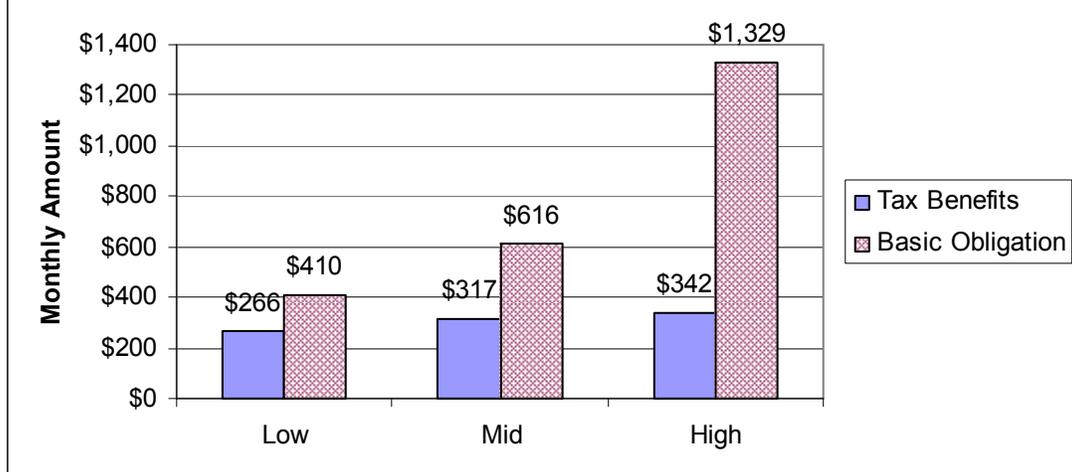
**Figure 5.1 Relationship between Tax Benefits of Having Children and Basic Support Obligation: Title IV-D Cases**



In fact, low-income IV-D parents may receive a tax benefit that is more than half of their estimated expenditures on children. Most of this benefit comes from the EITC. The amount of the tax benefit does not change much across the typical cases. As a result, the tax benefit as a percentage of the child support payment decreases as income increases. However, even in the high-income Title IV-D case, the custodial parent receives benefits equal to more than half of the guideline amount.

The three typical private cases are presented in Figure 5.2. The low and middle-income cases are similar to the Title IV-D cases, but the tax benefit for the high-income case constitutes a much smaller share of income. This is attributable to both the higher income and the fact that the typical high-income private case has two children.

**Figure 5.2 Relationship Between Tax Benefits of Having Children and Basic Support Obligation: Private Cases**



Figures 5.1 and 5.2 show that the tax benefits are substantial for all income groups, but they are particularly important for the low-income groups where the government ends up paying custodial parents for having children.<sup>76</sup> In addition, a preliminary analysis shows that the benefit is largest for one child and decreases as the number of children increases. This is because the head of household designation merely affects the tax rate and the standard deduction and neither of these depend on the number of children. However, the EITC increases as the number of children increases. Therefore having more children results in an increased benefit, but the benefit increases at a decreasing rate.

By using the appropriate tax tables, the implications of varying the number of children at each income level can be found. These varying tax implications can easily be included in the child support guidelines. Tables 5.1 and 5.2 display sample worksheets that incorporate a full accounting of the tax effects.

<b>Table 5.1 Sample Worksheet Including Tax Offsets for Children: Middle Income IV-D</b>			
Number of Minor Children	<b>1</b>		
		<b>Mother</b>	<b>Father</b>
<b>Gross Income (monthly)</b>		979	1218
<b>Total</b>		<b>\$979</b>	<b>\$1218</b>
<b>Deductions (monthly)</b>			
Income Tax (single)		33	57
Social Security		75	93
Medicare			
Court Ordered Support			
Health Insurance (Exclude children's)			
Mandatory Retirement			
Mandatory Union Dues			
<b>Total</b>		<b>\$108</b>	<b>\$150</b>
<b>Net Income</b>		<b>\$871</b>	<b>\$1068</b>
Combined Available Income			<b>\$1,939</b>
Parent's Share of Support		<b>44.9%</b>	<b>55.1%</b>
Minimum Support Needed			<b>421</b>
<b>INCOME TAX CREDIT FOR CHILD</b>			<b>(257)</b>
Childcare * 75%			
Health Insurance (children's)		0.00	0.00
<b>Total Support Needed</b>			<b>\$164.00</b>
Support per parent		<b>\$73.64</b>	<b>\$90.36</b>
Health Insurance adjustment		\$0.00	
<b>Final Support per parent</b>		<b>\$73.64</b>	<b>\$90.36</b>

<sup>76</sup> In Sweden, the government sends a monthly check to parents to compensate them for the additional cost of having children. Effectively, the U.S. system works the same way, except the "payment" works through taxes. Note that also in the U.S. system the worker can file an Earned Income Credit advance so that they can increase their monthly income analogously to the Swedish system.

<b>Table 5.2 Sample Worksheet Including Tax Offsets for Children: Middle Income Private</b>			
Number of Minor Children	<b>1</b>		
	<b>Mother</b>		<b>Father</b>
<b>Gross Income (monthly)</b>	1492		1981
<b>Total</b>	<b>\$1492</b>		<b>\$1981</b>
<b>Deductions (monthly)</b>			
Income Tax (single)	97		171
Social Security	114		152
Medicare			
Court Ordered Support			
Health Insurance (Exclude children's)			
Mandatory Retirement			
Mandatory Union Dues			
<b>Total</b>	<b>\$211</b>		<b>\$323</b>
<b>Net Income</b>	<b>\$1281</b>		<b>\$1658</b>
Combined Available Income		<b>\$2,939</b>	
Parent's Share of Support	<b>43.6%</b>		<b>56.4%</b>
Minimum Support Needed		<b>626</b>	
<b>INCOME TAX CREDIT FOR CHILD</b>		<b>(296)</b>	
Childcare * 75%			
Health Insurance (children's)	0.00	<b>0.00</b>	0.00
<b>Total Support Needed</b>		<b>\$330.00</b>	
Support per parent	<b>\$143.88</b>		<b>\$186.12</b>
Health Insurance adjustment	\$0.00		
<b>Final Support per parent</b>	<b>\$143.88</b>		<b>\$186.12</b>

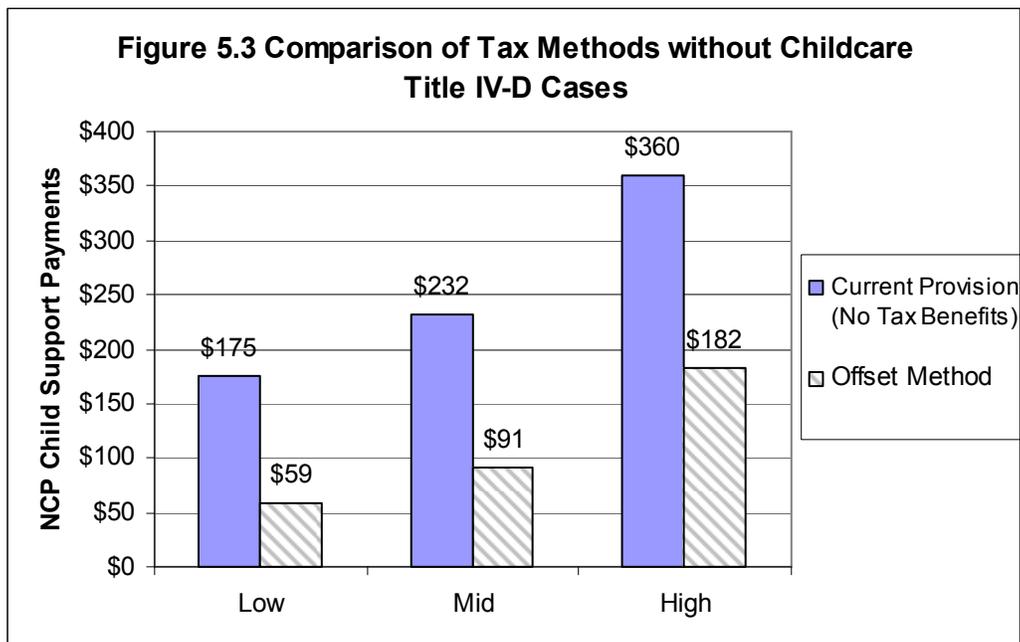
Because the tax benefits directly offset expenditures on children, the examples in Tables 5.1 and 5.2 show the benefits being deducted after the basic child support obligation is determined.<sup>77</sup> This is the method proposed by Rogers and Bieniewicz (2000) as part of the cost shares model. This shows that it is relatively easy to incorporate a more appropriate adjustment for tax benefits even in the income shares model without unduly complicating the child support worksheet.

Figures 5.3 to 5.6 compare the obligations of each of the typical cases in Florida's current guidelines with those that would be calculated accounting for all the tax benefits. The obligations are displayed both with and without childcare expenses. The actual taxes that the typical cases would pay are calculated using the 2003 federal tax code, with the assumption that the parents claim the standard deduction. "Current provision" shows the payment that the noncustodial parent makes under Florida's current guidelines; this

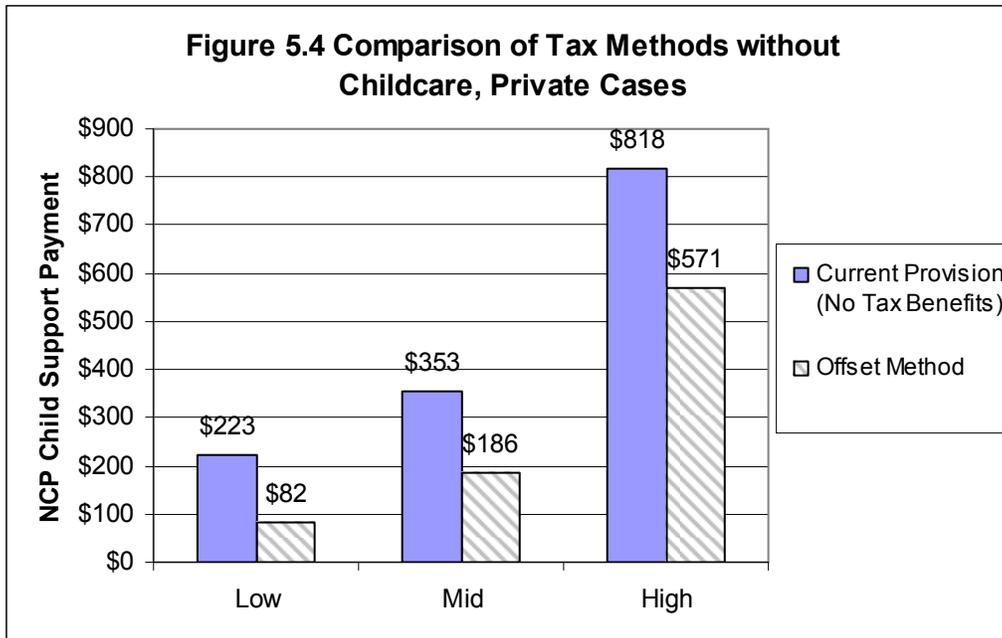
<sup>77</sup> The placement in the worksheet of the adjustment for tax benefits is very important. Accounting for the tax benefits in the process of determining each parent's net income yields inappropriate results.

payment includes no adjustment for the custodial parent’s child-related tax benefits.<sup>78</sup> “Tax offset” shows the payment incorporating the tax benefits of children.

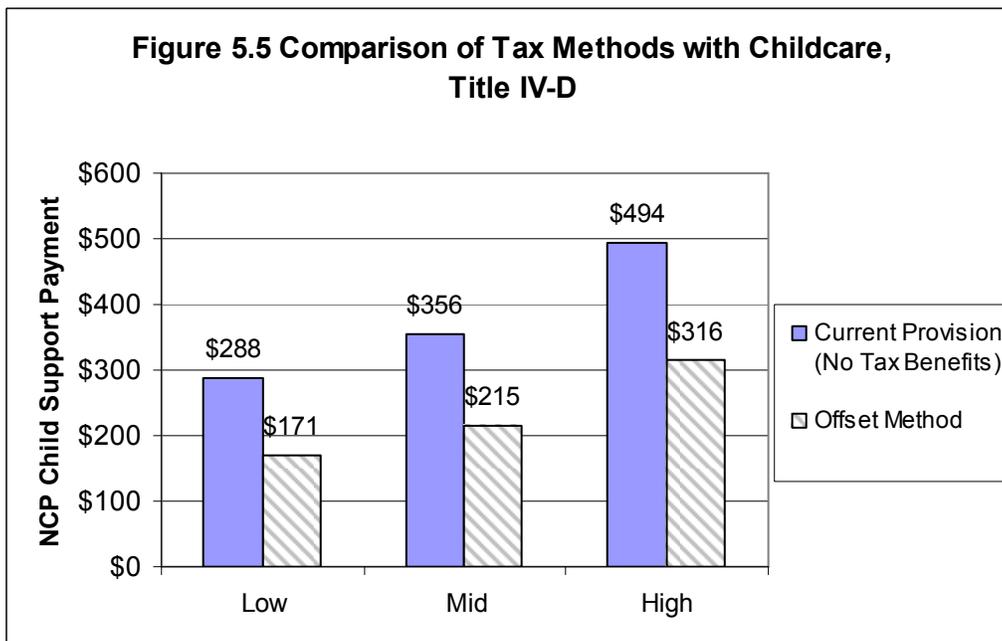
Figures 5.3 and 5.4 show that when the tax benefit is properly accounted for by netting out the child support obligation, the noncustodial parent’s share decreases substantially. If this is not done, then the custodial parent in effect receives a payment for the child or children from both the noncustodial parent and the federal government.



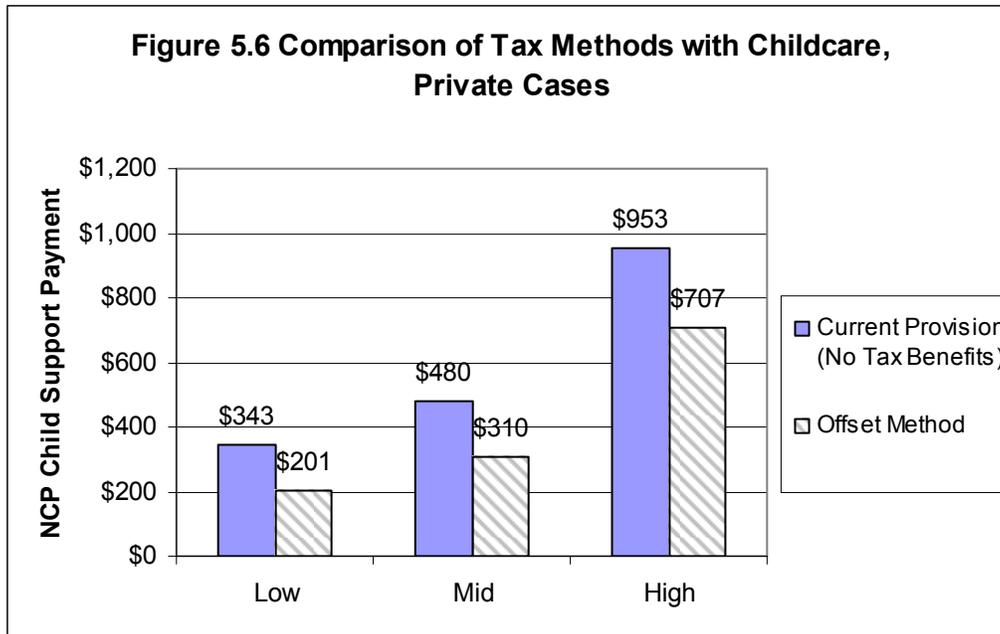
<sup>78</sup> The numbers represent the current treatment except the amounts shown reflect actual taxes that would be paid rather than the estimated ones that are used in the present child support calculations.



Figures 5.5 and 5.6 show the six typical cases assuming childcare expenses of \$300 dollars per month.<sup>79</sup>



<sup>79</sup> Based on the cases with detailed expenditure information, \$300 approximates the average amount. The \$300 is assumed for all the cases including the high-income private case even though this case has two children.

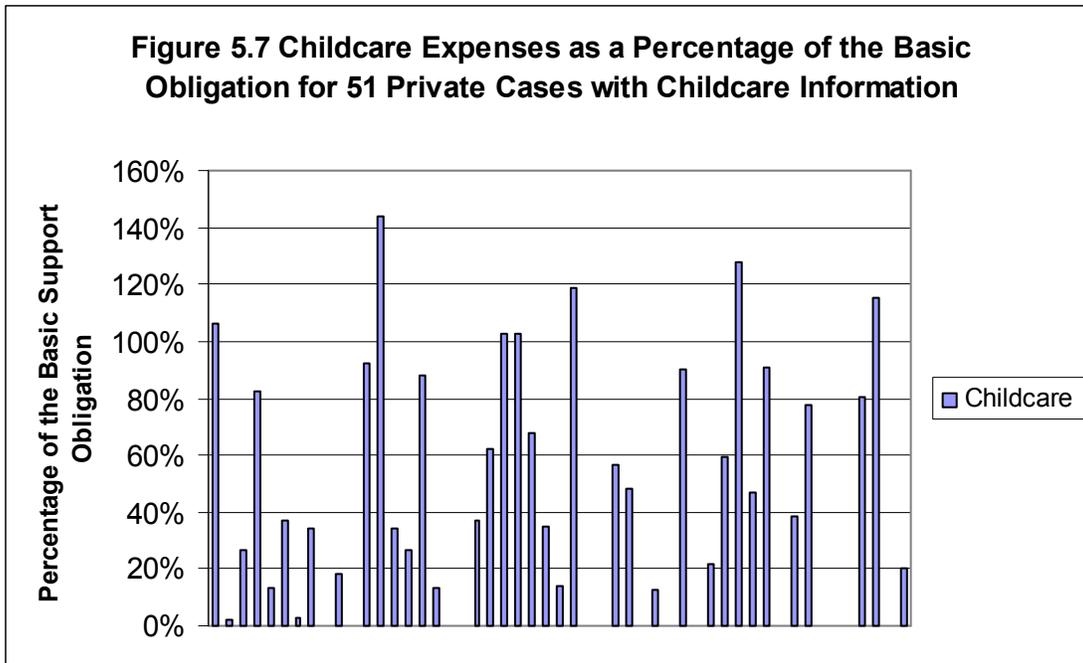


Figures 5.5 and 5.6 show a large decrease in the noncustodial parent’s child support payment when all the tax benefits are included. In most cases, the noncustodial parent’s payment is reduced by more than 50 percent when the payment is adjusted for the tax benefits of children.

### Childcare Payments

For those parents utilizing childcare, childcare expenses are a significant share of the total support payment. Figure 5.7 shows the ratio of childcare expenditures to the basic child support obligation for 51 usable private cases where detailed expenditure information was available.<sup>80</sup>

<sup>80</sup> Recall that the basic child support obligation is intended to reflect average expenditures on a child by a two-parent intact family in this income range.



As Figure 5.7 shows, childcare expenses as a fraction of the basic child support obligation are highly variable and can be very large, ranging from 0% to 144% with an average over this group of 42%. In 13% of the cases, childcare payments are higher than basic child support obligations. Another 21% have childcare expenses that are over 50% of the basic obligation. Also, 27% of these cases have no childcare expenses.

The current treatment of childcare expenses provides incentives for custodial parents to make inefficient decisions concerning childcare in three ways. First, the custodial parent is encouraged to maximize the use of market daycare and after-school programs because the custodial parent is allowed to choose the type and amount of childcare, while the noncustodial parent pays a share of the expenses equal to his or her share of the combined income. Thus, custodial parents have little incentive to make use of alternative providers such as grandparents, neighbors, and siblings instead of sending their children to daycare.

Second, because the amount of childcare expenses to be included in the child support payment is finalized at the time the support order is entered, the custodial parent has an incentive to project large future childcare expenses but then to minimize actual expenditures on childcare after the order is entered. This may increase disagreements between parents as well as increase the number and frequency of modifications.

Finally, by including childcare in the child support payment, parents must renegotiate and seek modifications when the children reach school age, and again when the children reach an age where they can reasonably stay at home on their own after school.

The actual size of the problems these incentives create is unknown. Further study and analysis would be required to determine the magnitude of the effects of these incentives.

### **Recommendations on Treatment of Tax Benefits and Childcare Expenditures**

- Implement a tax benefit adjustment to the child support costs.

The tax benefits from having a child can be substantial and the current guidelines do not account for this. To properly account for the tax benefits, they should be added directly into the bottom half of the present worksheet as an additional line adjustment to the child support obligation.

- Add estimated average childcare expenditures by the child's age group and possibly by income level to the child support obligation in the guidelines worksheet.

The present system of allocating actual expenditures on childcare in proportion to each parent's share of combined income may result in the over-utilization of childcare. To reduce this problem, average childcare expenditures of single parents can be calculated for children in different age groups, and this average expenditures estimate can be added to the child support order. This approach recognizes that a single parent may incur extra costs in the form of childcare, but it calculates these costs for a typical single parent. Then, parents can adjust their expenditures as they see fit.

This change in the guidelines would encourage the custodial parent to economize on childcare costs and would help discourage unnecessary modifications of the child support order.

Even though the basic obligation is derived from child expenditures in two-parent intact families, the childcare expense allowance should be based on expenditures of single parents. For two-parent intact families, childcare expenses are quite small, about 3-6% depending on the income level of the total estimated expenditures on children. But an intact family is likely to have smaller childcare expenses than a single parent. Further study is needed to estimate average expenditures on childcare for single parents.

A problem with the average cost approach to childcare expenses is that the expenses change with the age of the child. However, the average childcare expense allowance for purposes of child support can be different children in different age groups. For example, children could be grouped into pre-school, school age until ten years old, and school age children ten and over. The need for childcare obviously diminishes when the children reach school age. At perhaps age ten, the child is considered old enough to stay at home alone after school and no longer needs after-school care. A childcare expense schedule can be established at the time of the initial support order using the average childcare expense allowance for the child's age group. The childcare allowance then changes as the child moves from one age group to the next. Thus, the exact childcare

expense allowance can be estimated for the entire period of the child support obligation. Use of an average expense allowance means there is no longer any incentive to project inflated childcare costs, and as the child matures the payment automatically adjusts, eliminating the need to seek modifications.